1991

ANNUAL REPORT

Export Development Corporation

Société pour l'expansion des exportations

CORPORATE PROFILE

"We will be the best in the world at providing the highest quality financial services for our customers."

The Export Development Corporation (EDC) is Canada's official export credit agency. EDC helps Canadian exporters compete more effectively in international markets by reducing financial risks in support of export sales. EDC's financial services include export credit insurance and related guarantees, loans to foreign buyers of Canadian goods and services, and foreign investment insurance.

PRESIDENT'S MESSAGE

EDC registered a strong financial performance in 1991, with the **$32.7 million** profit being one of the highest in the Corporation's history. Among the key contributing factors were significantly reduced interest costs on our borrowing and the Government of Canada's participation in international agreements to provide debt relief to Poland and Egypt, which enabled them to resume servicing their respective debt obligations to EDC.

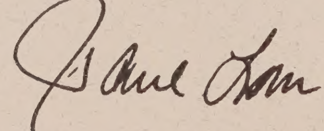
The bottom line in 1991 contrasts with that of two years ago, when, in response to a significant increase in non-performing loans, and with the potential for a further increase in 1990, the Corporation made a special one-time transfer of $200 million to supplement our loan loss provision. The funds were drawn from the Corporation's retained earnings – essentially the accumulation of previous years' profits – thereby significantly reducing EDC's capital base. 1989 represented the first and only loss in the Corporation's history, but also reflected a financially prudent decision on the part of EDC and our Board of Directors.

In 1991, the Corporation continued these prudent financial management practices, boosting the loan loss provision from $410 million to **$449 million** at year-end, and increasing the claims allowance from $47 million to **$86 million**. Notwithstanding, our profit remains higher than in previous years, and it is our expectation that they will remain significant for the next few years at least.

Two important points need to be made here. First, the Corporation's profit is not the result of any general fee increase by EDC. Income from fees and premiums in 1991 increased at roughly the same rate as our overall support for Canadian exports. Second, we view the restoration of EDC's capital base with these profits as critical to the future financial strength of EDC and our ability to continue to provide exporters with internationally competitive export credits and risk management services.

As EDC's total assets continue to grow in step with greater support for exporters, so too must our capital base. Therefore, EDC has used the 1991 profit to begin to restore our retained earnings to pre-1989 levels. In the current fiscal environment, EDC cannot rely exclusively on the Government of Canada to supply our capital needs, and our financial strategy reflects this new reality. The vehicle for restoring our retained earnings will be to achieve an increasingly higher rate of return on our equity.

The Board of Directors and Management of EDC firmly believe, and we trust that exporters themselves will agree, that a fruitful and productive long-term relationship with exporters is best served by a financially healthy and strong Corporation. Indeed, only this kind of partnership will ensure our ability to contribute to our customers' continuing success in international markets.



Paul Labbé
President and Chief Executive Officer

CORPORATE PERFORMANCE

EDC's business performance can be measured in a number of ways. The most obvious is the volume of growth in support achieved each year. The key factors that influence the opportunities for EDC to provide support are the nature of the goods and services being exported by Canadians; the markets and buyers to which exporters sell; and EDC's ability to provide competitive financing and insurance services to Canadian exporters over an extended period of time. Another factor of significance is EDC's ability to be a self-supporting institution. This is reflected, in part, by our ability to maintain a positive net income position.

EDC's actual achievements in these areas are outlined below and are compared with 1991 Corporate Plan numbers as well as 1990 actual results.

(in thousands $)	**1991 Actual**	1991 Plan	1990 Actual
Export Financing Volume			
Corporate Account	**1,411,405**	1,100,000	1,271,129
Canada Account	**243,851**	– N/A –	198,330
	1,655,256	1,100,000	1,469,459
Other Institutions	**30,126**	– N/A –	4,656
Total	**1,685,382**	1,100,000	1,474,115
Export Insurance Volume			
Corporate Account	**5,078,005**	4,829,000	4,843,844
Canada Account	**92,689**	– N/A –	78,708
Total	**5,170,694**	4,829,000	4,922,552
Total Export Volume	**6,856,076**	5,929,000	6,396,667
Net Income	**32,724**	3,000	6,303

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Financial Statements contained in this Annual Report have been prepared by Management in accordance with accounting principles generally accepted in Canada, consistently applied, which conform in all material respects with International Accounting Standards. The integrity and objectivity of the data in these Financial Statements are Management's responsibility. The Financial Statements include some amounts, such as the allowances for losses on loans and claims, that are necessarily based on Management's best estimates and judgement. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the Financial Statements. In support of its responsibility, Management maintains financial and management control systems and practices to provide reasonable assurance that the financial information is reliable, that the assets are safeguarded and the operations are carried out effectively. The Corporation has an internal audit department whose functions include reviewing internal controls and their application, on an on-going basis.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit Committee meets with Management, the internal auditors and the Auditor General of Canada on a regular basis.

The Board of Directors of EDC is responsible for all business undertaken by the Corporation. Contracts which, in the opinion of the Board of Directors, involve risks for a term or an amount in excess of that which the Corporation would normally undertake, may be entered into under the authority of the Governor General in Council where the Minister considers them to be in the national interest. The Board of Directors has the predominant role in the management of this program and is solely responsible for its administration. Funds required for such contracts are paid to the Corporation by Canada, and funds recovered are remitted to Canada, net of amounts withheld to cover related administrative expenses. The administration of accounts on behalf of Canada is shown in Note 13 to the Corporation's Financial Statements.

The Auditor General of Canada conducts an independent examination, in accordance with generally accepted auditing standards, and expresses his opinion on the Financial Statements. His report is presented on the following page.

Paul Labbé
President and
Chief Executive Officer

M.D.J. Bakker
Senior Vice-President Finance
and Chief Financial Officer

AUDITOR'S REPORT

AUDITOR GENERAL OF CANADA VÉRIFICATEUR GÉNÉRAL DU CANADA

To the Minister for International Trade

I have audited the balance sheet of the Export Development Corporation as at December 31, 1991 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Canada, conforming with International Auditing Guidelines. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles in Canada, conforming with International Accounting Standards. As required by the Financial Administration Act, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my examination of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Export Development Act and the by-laws of the Corporation.

L. Denis Desautels

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
February 26, 1992

Balance Sheet

as at December 31, 1991
(in thousands $)

	1991	1990
ASSETS		
Cash and marketable securities		
Cash and short term deposits	764,415	1,127,369
Marketable securities	197,271	165,427
Accrued interest	9,672	17,907
	971,358	1,310,703
Loans receivable (Notes 3 and 4)		
Long term	5,368,278	5,074,395
Current portion of long term	1,127,655	903,502
	6,495,933	5,977,897
Accrued interest and fees	114,486	123,182
	6,610,419	6,101,079
Less: allowance for losses on loans (Note 5)	449,202	409,513
	6,161,217	5,691,566
Other		
Recoverable insurance claims (Note 8)	5,162	8,318
Unamortized debt discount and issue expenses and other assets	29,947	29,608
	35,109	37,926
	7,167,684	7,040,195

	1991	1990
LIABILITIES		
Loans payable (Note 9)		
Short term	**2,196,507**	2,195,813
Current portion of long term	**705,462**	708,925
	2,901,969	2,904,738
Long term	**3,011,544**	2,950,430
	5,913,513	5,855,168
Accrued interest	**159,399**	179,702
	6,072,912	6,034,870
Other liabilities and deferred revenues		
Accounts payable	**33,711**	17,700
Deferred insurance premiums	**9,708**	11,120
Allowance for claims on insurance and guarantees	**86,144**	46,617
Deferred loan fees and other credits	**130,147**	143,750
	259,710	219,187
SHAREHOLDER'S EQUITY		
Share capital (Note 10)	**788,200**	772,000
Retained earnings	**46,862**	14,138
	835,062	786,138
	7,167,684	7,040,195

Commitments, contingent liabilities and other risks (Notes 6, 7 and 12)

Approved by the Board of Directors

Charles Diamond
Director

Paul Labbé
Director

M.D.J. Bakker
Chief Financial Officer

Statement of Income and Retained Earnings

for the year ended December 31, 1991
(in thousands $)

	1991	1990
Loans and guarantees		
Interest earned	440,855	463,325
Interest relief arrangements	29,336	—
Fees earned	42,275	39,466
	512,466	502,791
Less: provision for losses on loans	72,544	77,589
	439,922	425,202
Insurance and guarantees		
Premiums and fees earned	29,980	26,613
Less: provision for claims	19,338	18,424
	10,642	8,189
Investment interest earned	67,399	112,919
	517,963	546,310
Interest expense		
Long term	263,586	313,431
Short term	153,969	187,211
	417,555	500,642
Supplementary provision for claims	25,000	—
Administrative expenses	42,684	39,365
	485,239	540,007
Net income	32,724	6,303
Retained earnings		
Beginning of year	14,138	7,835
End of year	46,862	14,138

Statement of Changes in Financial Position

for the year ended December 31, 1991
(in thousands $)

	1991	1990
OPERATING ACTIVITIES		
Net income	32,724	6,303
Items not affecting cash		
Provision for losses on loans	72,544	77,589
Provision for claims	44,338	18,424
Accrued interest and fees	(2,481)	22,116
Other changes	43,374	(21,811)
Cash provided	190,499	102,621
LENDING ACTIVITIES		
Loans receivable disbursed	(1,494,023)	(1,394,594)
Loans receivable repaid	970,009	851,310
Items not affecting cash		
Net (decrease) increase in deferred revenue	(14,894)	10,621
Interest rescheduled	(15,838)	(24,856)
Loan interest reversed	(33,030)	(43,978)
Cash used	(587,776)	(601,497)
FINANCING ACTIVITIES		
Issue of long term loans payable	883,042	1,007,885
Repayment of long term loans payable	(838,851)	(860,215)
Increase in short term loans payable	15,406	178,352
Issue of share capital	16,200	75,000
Cash provided	75,797	401,022
Decrease in cash and marketable securities	(321,480)	(97,854)
Foreign exchange on opening balance of cash	(9,630)	38,333
CASH AND MARKETABLE SECURITIES		
Beginning of year	1,292,796	1,352,317
End of year	961,686	1,292,796

1. Corporate Mandate and Activities

Export Development Corporation ("The Corporation") was established on October 1, 1969 by the Export Development Act ("The Act"), a statute of the Parliament of Canada. The Corporation was created as an *agent* of Her Majesty in right of Canada for the purpose of facilitating and developing trade between Canada and other countries, by the provision of loans, guarantees and insurance. The Corporation is accountable for its affairs to Parliament through the Minister for International Trade.

The Government of Canada has established an understanding that it may seek Parliamentary appropriations to eliminate any losses the Corporation might incur.

The Corporation is not subject to the requirements of the Income Tax Act with respect to its earnings.

As an *export credit agency* and an *agent* of Her Majesty in right of Canada, the Corporation benefits from Canada's membership in the Paris Club, an international group, formed to deal on a multilateral basis with payment difficulties experienced by sovereign entities. Through the auspices of this Club and with subsequent negotiation, rescheduling agreements are arranged coupled with the implementation of International Monetary Fund disciplines to alleviate these payment problems.

The Government of Canada is of the view that the evolution of the international debt strategy could lead to concerted multilateral agreement to provide debt and debt service reduction by creditor governments in order to facilitate approved economic adjustment programs by certain debtor countries. The Government of Canada has undertaken to compensate the Corporation fully for any financial consequences arising from the Government's participation in multilateral activities to provide debt and debt service reduction. As a result, no provision for any such financial consequences is provided for in these Financial Statements.

The Act allows the Corporation to have outstanding *loans* and *commitments* to foreign borrowers up to a maximum of $15 billion. As at December 31, 1991, the position against this limit, determined in accordance with the requirements of the Act, is **$8.7 billion** (1990 – $8.1 billion).

The Act also specifies that the Corporation can incur liabilities under contracts of *insurance, related guarantees* and *guarantees* pertaining to the lending program up to a maximum of $15 billion. The position against the limit determined in accordance with the requirements of the Act, is **$5.4 billion** (1990 – $4.8 billion).

As an *agent* of Her Majesty in right of Canada, all of the Corporation's borrowings carry the full faith and credit of Canada. The Act allows the Corporation to borrow up to a *maximum of ten times the aggregate* of its paid-in capital from time to time and the retained earnings, if any, determined in accordance with the most recent *audited* Financial Statements. This limit for borrowing is **$8.0 billion** (1990 – $7.7 billion), against which borrowings amounted to **$5.9 billion** (1990 – $5.9 billion).

The Corporation enters into transactions with other Government departments, agencies and Crown corporations in the normal course of business.

2. Summary of Significant Accounting Policies

These Financial Statements are prepared in accordance with accounting principles generally accepted in Canada, consistently applied, and conform in all material respects with International Accounting Standards. A summary of significant accounting policies follows:

Marketable Securities

Marketable securities are recorded at market value. Gains and losses are included with investment interest earned.

Loans Receivable

Loans receivable, mainly to *sovereign* entities, are stated in the Canadian dollar equivalent of the original amounts disbursed and include where applicable interest capitalized as part of the rescheduling or restructuring process of loans with payment difficulties.

Loans are classified as current or non-current. Non-current loans are those where there is significant doubt as to collectibility in the short to medium term, where significant payments have not been received for a period of one year after a rescheduling agreement has

been signed, or two years where rescheduling measures have not been undertaken. The capitalization of interest in subsequent rescheduling agreements for non-current loans is not recognized for accounting purposes.

Loan Interest and Fees

Loan interest is recorded on the accrual basis until such time as significant payments have not been received for a period of 180 days, or when Management determines that a loan should be classified as non-current.

When a loan is classified as non-current, the Corporation terminates all interest and accruals, and reverses previously accrued interest against the allowance for losses on loans over a period of up to 12 months.

Any interest payment on a non-accrual loan is recorded as interest income when received.

Loans are restored to an accrual basis when regular repayment patterns of all or substantially all amounts due have been established.

Loan fees are taken into income over the disbursement and repayment periods of a loan.

Interest Relief Arrangements

In accordance with the terms of multilateral debt relief and debt service agreements between the Government of Canada and sovereign borrowers, the Corporation accrues as interest revenue amounts due from the Government.

Allowance for Losses on Loans

The allowance for losses on loans is based on a review of collectibility, at least annually, of all loans to *commercial* and *sovereign* borrowers.

As the result of the review of all loans to *commercial* borrowers, the Corporation charges to income an amount sufficient to specifically provide for potential losses on the *commercial* loans receivable portfolio to reflect the impairment of the related *commercial* loan assets.

In addition to *specific allowances* for losses on commercial loans, the Corporation prudently sets aside a *general allowance* based on Management's best estimates on the commercial and sovereign loans receivable portfolio for which no specific provision has been made.

It is Management's opinion, based on the Corporation's experience, that except in the rare instances of outright repudiation or the write-off of asset value agreed to by creditors, the ultimate collectibility of a sovereign obligation is not subject to question although indefinite delays in repayment of principal and interest may have to be accepted.

Recoverable Insurance Claims

Recoverable insurance claim payments are recorded at estimated recoverable values. Subsequent net gains or losses on recovery are credited or charged to the allowance for claims on insurance and guarantees.

Allowance for Claims on Insurance and Guarantees

The allowance for claims on insurance and guarantees, which is based on a review of *net loss experience* and potential net losses, represents Management's best estimate of the liability for insured events that have occurred and can be reasonably estimated. This amount includes a supplementary provision for claims, shown separately in the Statement of Income, to reflect the large size of individual policy risks taken on from time to time.

Insurance Premiums

Insurance premiums and fees are earned in Canada. For short term insurance policies, premiums are taken into income at the commencement of coverage. Premiums on other export insurance policies are taken into income using methods that generally reflect the exposures over the terms of the policies.

Interest Expense

Interest expense includes hedging expenses, derivative financial instruments costs, and the amortization of debt discount and issue expenses that are charged to income over the life of the debt.

Translation of Foreign Currency

The Corporation hedges its U.S. dollar assets and liabilities on a *total portfolio* basis. Any net exposure to future changes in the U.S. dollar foreign exchange rate is due to short term timing differences in cash flows. It is the Corporation's policy to manage assets and liabilities denominated in U.S. dollars in such a way as to minimize this net exposure. All assets and liabilities in foreign currencies other than U.S. dollars are specifically hedged to minimize exposures. All assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at year-end.

Income and expenses are translated at average monthly exchange rates in effect during the year. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are reported with investment interest earned.

Other Financial Instruments

The Corporation uses a variety of off-balance sheet derivative financial instruments, such as forward exchange contracts and currency swaps, interest rate swaps, options, caps and floors, and futures, to reduce market and credit risks and to reduce funding costs.

These instruments are marked to market and, with the exception of instruments designated as hedges, realized and unrealized gains and losses are included in income. Gains or losses arising from transactions designated as hedges are deferred and recognized in income over the remaining life of the hedged item. The costs of issuing these instruments are included in interest expense.

3. Loans Receivable

(in thousands $)

Loans receivable from both sovereign and commercial borrowers are mostly at fixed interest rates established in competition with similar export credit agencies in other countries.

These loans mature as follows:

		1991	1990
Non-current		**1,705,622**	1,323,811
Within 12 months	— fixed	**574,572**	519,265
	— floating	**499,556**	334,176
Overdue		**53,527**	50,061
1992		**—**	750,181
1993		**583,355**	505,019
1994		**525,589**	497,399
1995		**480,021**	443,737
1996		**418,995**	377,516
1997 and thereafter		**1,654,696**	1,176,732
Total		**6,495,933**	5,977,897
Commercial loans included above		**1,272,103**	942,694
Floating rate loans, generally based on LIBOR rates, included in total loans		**2,502,492**	2,134,249

The geographic distribution of these loans is as follows:

	1991	1990
Pacific and Asia	**1,376,426**	1,215,893
Middle East and Africa	**1,499,005**	1,590,381
Europe	**875,654**	856,678
North America and Caribbean	**1,458,093**	1,085,764
South America	**1,286,755**	1,229,181
Total	**6,495,933**	5,977,897

4. Non-Current Loans Receivable

(in thousands $)

The geographic distribution of non-current loans and off-balance sheet non-accrued interest is as follows:

	1991		1990	
	Principal	**Interest**	Principal	Interest
Pacific and Asia	**—**	**—**	—	—
Middle East and Africa	**695,840**	**192,636**	604,746	129,327
Europe	**242,421**	**230,441**	242,736	218,007
North America and Caribbean	**75,069**	**63,241**	57,948	46,817
South America	**692,292**	**368,882**	418,381	254,157
Total	**1,705,622**	**855,200**	1,323,811	648,308
Commercial loans included above	**21,431**	**5, 391**	5,288	4,736

The total non-accrued interest revenue during the year was **$181,878** (1990 – $185,290).

The Corporation received interest payments of **$52,965** in 1991 (1990 – $15,070) from countries designated as non-current. This amount was taken into income on a cash basis.

5. Allowance for Losses on Loans

(in thousands $)

The *Allowance for losses* is as follows:

	1991	1990
General allowance	**368,417**	402,504
Specific allowance	**80,785**	7,009
Total balance sheet allowance	**449,202**	409,513

During the year, the amount charged to the allowance was **$32,855** (1990 – $44,027), mainly comprising interest previously accrued.

6. Loan Commitments

The Corporation had undisbursed commitments on signed loan agreements of **$1,860 million** (1990 – $1,894 million).

The Corporation expects to fund these undisbursed commitments *near the time* of their disbursement, typically over a three-year period, by issuing a combination of debt instruments in world capital markets at commercial rates of interest and capital stock. The Corporation generally attempts to *match* debt maturities and currencies with those of its loans.

7. Insurance and Guarantees

(in thousands $)

The geographic distribution of insurance in force and guarantees of the Corporation is as follows:

	1991	1990
Pacific and Asia	**839,169**	795,639
Middle East and Africa	**436,219**	525,318
Europe	**895,713**	898,819
North America and Caribbean	**1,259,716**	1,029,274
South America	**556,164**	362,022
Total	**3,986,981**	3,611,072

8. Recoverable Insurance Claims

(in thousands $)

In 1991, the Corporation paid claims on insurance of **$13,635** (1990 – $28,149), and recovered claims of **$12,469** (1990 – $4,945). Claims of **$4,363** (1990 – $20,013) were charged to the Allowance for Claims in 1991.

9. Loans Payable

(in thousands $)

The Corporation issues debt instruments in world capital markets at commercial rates of interest. Long term instruments were issued by the Corporation in U.S. dollars, Deutsche marks, Japanese yen, Italian lire, Finnish markka, European Currency Units (ECU), Swiss francs and Canadian dollars. Most non-U.S. dollar issues were swapped to U.S. dollars.

Currencies of repayment of these instruments are as follows:

	1991	1990
U.S. dollars	**3,362,534**	3,293,333
ECU	**154,209**	127,406
Canadian dollars	**189,076**	226,587
Swiss francs	**11,187**	12,029
Total	**3,717,006**	3,659,355

Total *Loans payable* mature as follows:

		1991	1990
Within 12 months	— fixed	**415,267**	457,026
	— floating	**2,486,702**	2,447,712
1992		—	725,860
1993		**752,011**	760,276
1994		**585,535**	123,743
1995		**72,173**	72,173
1996		**338,033**	311,718
1997 and thereafter		**1,263,792**	956,660
Total		**5,913,513**	5,855,168
Commercial loans included above at fixed rates		**2,557,804**	2,372,819
Floating rate and short term fixed rate revolving loans		**3,355,709**	3,482,349

10. Share Capital

The authorized share capital is $1.5 billion consisting of 15 million shares with a par value of $100 each. The number of shares *issued* and *fully paid* is **7,882 thousand** (1990 – 7,720 thousand). During the year, the Corporation has issued **162 thousand** shares (1990 – 750 thousand) for a consideration of **$16.2 million** (1990 – $75 million).

11. Foreign Currency Balances

(in thousands $)

The Corporation has substantial *assets* and *liabilities* in *U.S. dollars* and in *other currencies*. The Canadian dollar equivalent after taking into consideration forward exchange contracts is as follows:

	1991	1990
U.S. dollars		
Assets	**5,783,414**	5,489,990
Liabilities	**5,576,200**	5,335,082
Net balance	**207,214**	154,908
Rate of exchange U.S. $1.00	**1.1555**	1.1599
Other currencies		
Assets	**395,950**	376,000
Liabilities	**432,059**	392,138
Net balance	**(36,109)**	(16,138)

12. Financial Instruments with Off-Balance Sheet Risk

In any transaction there is always an inherent risk of loss. These risks may be classified as credit risks, wherein the counter-party to a transaction does not perform as agreed, or market risks where an exposure exists as a result of changes in foreign exchange and interest rates.

The Corporation limits its exposure to credit risk by dealing only with financial institutions having very high credit ratings. Internal procedures establish proper credit approvals, controls and monitoring. As at December 31, 1991, the largest singular exposure to any institution amounted to **$57 million** (1990 – $74 million). To limit its exposure to market risk, and to reduce its funding costs, the Corporation, during the year, used hedges and derivative financial instruments with off-balance sheet risk. Financial instruments with contractual or notional principal amounts outstanding as at December 31, 1991 were as follows (in millions $):

	1991	1990
Foreign exchange contracts	**1,826**	2,286
Currency swaps	**1,396**	1,693
Interest rate swaps	**1,231**	1,339
Interest rate caps sold, exposure until 1998 (U.S. dollars)	**350**	350
Interest rate options written, expire August 1, 1996 (U.S. dollars)	**150**	150

13. Accounts Administered for Canada

(a) Pursuant to the Act, the Corporation *administers for Canada* certain loans and insurance programs entered into under the authority of the Governor in Council for which the Board of Directors has the predominant role in the management of the program and is solely responsible for its administration. These accounts are maintained separately from the Corporation's accounts, and are consolidated annually as at March 31 with the financial statements of the Government of Canada which are reported upon separately by the Auditor General of Canada. The assets administered for Canada, mainly *loans receivable* and *accrued interest* and *fees* recorded in accordance with accounting policies and practices approved by the Government of Canada, amounted to **$1,537 million** (1990 – $1,256 million).

In 1991, the Corporation received from the Government **$10.4 million** (1990 – $8.4 million) as a recovery of its administrative costs.

(b) Statutory limits, commitments and insurance in force.

The Act allows the Accounts administered for Canada to have outstanding loans and commitments to foreign borrowers up to a *maximum* of $6 billion. The position against this limit, determined in accordance with the requirements of the Act, is **$1,780 million** (1990 – $1,532 million).

The Act also specifies that the Accounts administered for Canada can incur liabilities under contracts of *insurance, related guarantees* and *guarantees* pertaining to the lending program up to a maximum of $7 billion. The position against this limit, determined in accordance with the requirements of the Act, is **$152 million** (1990 – $89 million). Insurance in force for the Accounts administered for Canada included in the above positions amounted to **$152 million** (1990 – $84 million).

FIVE YEAR REVIEW

(in thousands $)

BALANCE SHEETS as at December 31	1991	1990	1989	1988	1987
Loans receivable	6,495,933	5,977,897	5,398,044	5,345,155	5,760,635
Less: allowance for losses	449,202	409,513	375,951	166,635	163,135
	6,046,731	5,568,384	5,022,093	5,178,520	5,597,500
Short term investments	961,686	1,292,796	1,352,317	1,107,751	1,038,669
Accrued interest and other assets	159,267	179,015	192,380	236,182	296,559
Total assets	7,167,684	7,040,195	6,566,790	6,522,453	6,932,728
Loans payable	5,913,513	5,855,168	5,472,527	5,220,721	5,624,117
Accrued interest and other liabilities	332,965	352,272	340,769	353,495	373,798
Allowance for claims	86,144	46,617	48,659	44,567	35,369
Total liabilities	6,332,622	6,254,057	5,861,955	5,618,783	6,033,284
Share capital	788,200	772,000	697,000	697,000	697,000
Reserve for contingencies	—	—	—	100,000	100,000
Retained earnings	46,862	14,138	7,835	106,670	102,444
Shareholder's equity	835,062	786,138	704,835	903,670	899,444
Total liabilities and shareholder's equity	7,167,684	7,040,195	6,566,790	6,522,453	6,932,728

INCOME STATEMENTS	1991	1990	1989	1988	1987
Loan interest and fees earned	483,130	502,791	513,406	506,470	547,451
Interest relief arrangements	29,336	—	—	—	—
Insurance premiums and fees earned	29,980	26,613	25,543	23,527	19,762
Investment interest earned	67,399	112,919	90,913	89,097	97,654
Total income	609,845	642,323	629,862	619,094	664,867
Interest expense	417,555	500,642	507,357	483,389	569,790
Provisions for losses and claims	116,882	96,013	283,390	94,647	59,178
Administrative expenses	42,684	39,365	37,950	36,832	34,401
Total expenses	577,121	636,020	828,697	614,868	663,369
Net income (loss)	32,724	6,303	(198,835)	4,226	1,498

FIVE YEAR REVIEW

(in thousands $)

	Corporate	Canada	Total	Corporate	Canada	Total
FINANCIAL ARRANGEMENTS FACILITATED		1991			1990	
Export Financing						
Direct financing	1,411,405	243,851	1,655,256	1,271,129	198,330	1,469,459
Guarantees by EDC	—	—	—	—	—	—
Bank participation	—	—	—	—	—	—
Related bank loans	—	—	—	—	—	—
Related CIDA loans	25,826	4,300	30,126	4,656	—	4,656
Sub total	1,437,231	248,151	1,685,382	1,275,785	198,330	1,474,115
Export Insurance						
Short term insurance	3,817,181	58,899	3,876,080	3,315,634	25,394	3,341,028
Medium term insurance	1,046,093	33,790	1,079,883	1,411,479	28,812	1,440,291
Guarantees	214,731	—	214,731	116,731	24,502	141,233
Sub total	5,078,005	92,689	5,170,694	4,843,844	78,708	4,922,552
Total	6,515,236	340,840	6,856,076	6,119,629	277,038	6,396,667
FINANCIAL AND OTHER DATA						
Export Financing						
Number of transactions financed	163	34	197	147	34	181
Number of loans receivable	903	197	1,100	822	145	967
Loans receivable	6,929,439	1,447,707	8,377,146	6,275,067	1,094,491	7,369,558
Number of undisbursed loans	280	133	413	269	108	377
Undisbursed loans	1,862,657	341,203	2,203,860	1,900,514	446,417	2,346,931
Disbursements to exporters during period	1,494,023	345,247	1,839,270	1,394,594	239,150	1,633,744
Loan guarantees outstanding	7	—	7	9	—	9
Liability on loan guarantees	22,332	—	22,332	22,584	—	22,584
Undisbursed amounts on loan guarantees	2,481	—	2,481	6,363	—	6,363
Current lines of credit and protocols	40	2	42	32	1	33
Amounts available for allocation	4,023,741	299,583	4,323,324	2,730,887	290,091	3,020,978
Loans rescheduled	23	11	34	19	3	22
Amounts rescheduled	918,854	256,085	1,174,939	474,677	87,338	562,015
Loans written off	—	—	—	1	—	1
Amounts written off	—	—	—	652	—	652
Export Insurance						
Number of policies issued	1,573	20	1,593	1,215	21	1,236
Insurance policies and guarantees in force	2,330	33	2,363	1,936	25	1,961
Liability on insurance and guarantees	5,363,849	152,470	5,516,319	4,748,087	88,557	4,836,644
Claims paid	13,635	—	13,635	28,149	—	28,149
Claims recovered	12,469	1,032	13,501	4,945	—	4,945
Claims written off (on)	9,419	(1,032)	8,387	8,898	—	8,898
Claims outstanding at year-end	33,146	83	33,229	41,399	83	41,482
Claims under consideration at year-end	3,403	—	3,403	4,514	—	4,514
Average Employee Strength During Year			513			514

Corporate	Canada	Total	Corporate	Canada	Total	Corporate	Canada	Total
	1989			1988			1987	
1,255,695	205,684	1,461,379	1,016,604	330,462	1,347,066	601,354	186,158	787,512
13,713	—	13,713	—	—	—	6,432	—	6,432
7,401	—	7,401	—	—	—	139	—	139
7,378	—	7,378	12,200	—	12,200	24,095	412	24,507
13,457	2,000	15,457	42,878	15,000	57,878	40,806	—	40,806
1,297,644	207,684	1,505,328	1,071,682	345,462	1,417,144	672,826	186,570	859,396
3,169,992	14,304	3,184,296	3,086,291	16,862	3,103,153	2,603,497	10,471	2,613,968
980,572	75,897	1,056,469	649,580	54,176	703,756	604,836	80,106	684,942
294,221	—	294,221	250,998	—	250,998	241,982	149	242,131
4,444,785	90,201	4,534,986	3,986,869	71,038	4,057,907	3,450,315	90,726	3,541,041
5,742,429	297,885	6,040,314	5,058,551	416,500	5,475,051	4,123,141	277,296	4,400,437
171	55	226	152	18	170	91	9	100
758	92	850	692	74	766	651	59	710
5,497,766	895,701	6,393,467	5,445,355	808,184	6,253,539	5,858,868	770,411	6,629,279
254	79	333	203	26	229	168	14	182
2,203,300	489,454	2,692,754	1,935,647	406,471	2,342,118	1,874,675	200,486	2,075,161
853,641	117,667	971,308	582,311	87,755	670,066	622,940	20,901	643,841
10	—	10	9	—	9	9	—	9
17,264	—	17,264	15,785	—	15,785	19,300	—	19,300
15,050	—	15,050	7,452	—	7,452	9,260	—	9,260
42	1	43	49	2	51	46	2	48
2,979,658	350,000	3,329,658	3,529,224	380,123	3,909,347	3,136,646	386,715	3,523,361
19	8	27	16	6	22	18	8	26
367,490	72,633	440,123	182,649	67,558	250,207	384,711	79,757	464,468
3	—	3	3	—	3	1	—	1
2,610	—	2,610	5,901	—	5,901	5	—	5
1,486	12	1,498	1,718	20	1,738	1,639	34	1,673
2,332	17	2,349	2,498	40	2,538	2,111	100	2,211
4,342,753	62,284	4,405,037	3,404,867	321,150	3,726,017	2,964,474	370,019	3,334,493
19,793	2,913	22,706	26,968	11,323	38,291	13,480	9,879	23,359
16,231	3,045	19,276	21,529	21,527	43,056	14,461	4,387	18,848
(6,273)	114	(6,159)	1,935	(572)	1,363	13,433	1,182	14,615
27,093	83	27,176	17,258	329	17,587	13,754	9,961	23,715
8,994	—	8,994	2,304	—	2,304	1,745	3,409	5,154
		500			492			514

BOARD OF DIRECTORS

as at December 31, 1991

W.R.C. BLUNDELL
Corporate Director
Toronto, Ontario
Member of the Audit Committee of the Board

D. CAMPBELL
Associate Under-Secretary of State for External Affairs and Deputy Minister for International Trade
Ottawa, Canada
Member of the Executive Committee of the Board

T.A. CHISHOLM
President
Ronald A. Chisholm Limited
Toronto, Ontario
Member of the Business Development Committee of the Board

J.W. CHOMIAK
President
Hemisphere Engineering Inc.
Edmonton, Alberta
Member of the Business Development Committee of the Board

J. DEITCHER
Vice-President and Director
RBC Dominion Securities Inc.
Montréal, Quebec
Member of the Executive Committee of the Board

C. DIAMOND
President
B.C. Turf Ltd.
Vancouver, British Columbia
Vice-Chairman of the Board
Member of the Executive Committee of the Board
Chairman of the Audit Committee of the Board

F.W. GORBET
Deputy Minister
Department of Finance
Ottawa, Canada

J.T. HUMPHRIES
Granville West Group/ John T. Humphries Ltd.
Vancouver, British Columbia
Chairman of the Business Development Committee of the Board

P. LABBÉ
President and Chief Executive Officer
Export Development Corporation
Ottawa, Canada
Member of the Executive Committee of the Board

J. LAURENT, Q.C.
Senior Partner
Guy & Gilbert
Montréal, Quebec
Member of the Business Development Committee of the Board

T.M. MUNN
President
Munn & Company Limited
Mount Pearl, Newfoundland
Member of the Audit Committee of the Board

J.M. ROMANCHUK
Senior Vice-President
BBN James Capel Inc.
Calgary, Alberta
Member of the Audit Committee of the Board

M.J. SABIA
Barrister and Solicitor
Toronto, Ontario
Chairman of the Board of Directors
Chairman of the Executive Committee of the Board

B.A. SULLY
Chairman
Rosny Holdings Limited
Goderich, Ontario
Member of the Business Development Committee of the Board

SENIOR MANAGEMENT OF THE CORPORATION

EXECUTIVE MANAGEMENT COMMITTEE	SENIOR MANAGEMENT OF THE CORPORATION		
P. LABBÉ President and Chief Executive Officer	General Manager Corporate Coordination and Evaluation	**R. FOTHERGILL** General Manager Quality and Customer Satisfaction	
M.D.J. BAKKER Senior Vice-President Finance and Chief Financial Officer	**R.G.C. MARSHALL** Vice-President and Treasurer	**J.F. GAGAN** Corporate Controller	
G. HAMMOND Senior Vice-President Marketing	**P.A. FORAN** Vice-President Western Canada	**K.R. COOKE** Vice-President Ontario	Vice-President Quebec and Atlantic
	L. LANDRY General Manager Marketing and Communications	Chief Economist Economics Division	
R. PRUNEAU Senior Vice-President Export Insurance	**A.I. GILLESPIE** Vice-President Export Insurance	**J. GRAVES** General Manager Short Term Insurance	**E. SIEGEL** General Manager Medium Term Insurance
R. VAN ADEL Senior Vice-President Export Financing	**D.O. CURTIS** General Manager Americas	**M.G. MCLEAN** General Manager Asia/Pacific	**H. SOUQUIÈRES** General Manager Africa, Middle East & Europe
W.J.H. MUSGROVE Vice-President Human Resources and Administration	**W.J. HUGHES** General Manager Human Resources	**J.B. HUTCHISON** General Manager Systems	
G. ROSS Senior Vice-President Legal Services and Secretary	**M. LEDUC** General Counsel Legal Services		

Serving Canadians From Coast to Coast

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Au service de tous les Canadiens

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Tél. : (514) 283-3013
Télécopieur : (514) 878-9891
(pour le Québec)

Halifax
Société pour l'expansion des exportations
Bureau 1003
Édifice de la Banque Toronto-Dominion
1791, rue Barrington
Halifax (Nouvelle-Écosse)
B3J 3L1
Tél. : (902) 429-0426
Télécopieur : (902) 423-0881
(pour les Maritimes)

Membres de la haute direction de la Société

Membres de la haute direction	Cadres supérieurs de la Société		
P. Labbé Président et Chef de la direction	Directeur général Coordination et Évaluation	**R. Fothergill** Directrice générale Qualité et Satisfaction du client	
M.D.J. Bakker Premier vice-président Finances et Chef des Services financiers	**R.G.C. Marshall** Vice-président et Trésorier	**J.F. Gagan** Contrôleur général	
G. Hammond Premier vice-président Marketing	**P.A. Foran** Vice-président Ouest du Canada	**K.R. Cooke** Vice-président Ontario	Vice-président Québec et Atlantique
	L. Landry Directrice générale Marketing et Communications	Économiste en chef Division de l'Économie	
R. Pruneau Premier vice-président Assurances à l'exportation	**A.I. Gillespie** Vice-président Assurances à l'exportation	**J. Graves** Directrice générale Assurances à court terme	**E. Siegel** Directeur général Assurances à moyen terme
R. Van Adel Premier vice-président Financement à l'exportation	**D.O. Curtis** Directeur général Amériques	**M.G. McLean** Directeur général Asie et Pacifique	**H. Souquières** Directeur général Afrique, Moyen-Orient et Europe
W.J.H. Musgrove Vice-président Ressources humaines et Administration	**W.J. Hughes** Directeur général Ressources humaines	**J.B. Hutchison** Directeur général Systèmes	
G. Ross Premier vice-président Services juridiques et Secrétaire	**M. Leduc** Chef du Contentieux Division du Contentieux		

CONSEIL D'ADMINISTRATION

au 31 décembre 1991

W.R.C. BLUNDELL
Directeur de société
Toronto (Ontario)
Membre du Comité de vérification du Conseil

D. CAMPBELL
Sous-secrétaire d'État associé aux Affaires extérieures et Sous-ministre du Commerce extérieur
Affaires extérieures et Commerce extérieur Canada
Ottawa, Canada
Membre du Comité de direction du Conseil

T.A. CHISHOLM
Président
Ronald A. Chisholm Limited
Toronto (Ontario)
Membre du Comité du Conseil chargé de la promotion commerciale

J.W. CHOMIAK
Président
Hemisphere Engineering Inc.
Edmonton (Alberta)
Membre du Comité du Conseil chargé de la promotion commerciale

J. DEITCHER
Vice-président et administrateur
RBC Dominion Valeurs Mobilières Inc.
Montréal (Québec)
Membre du Comité de direction du Conseil

C. DIAMOND
Président
B.C. Turf Ltd.
Vancouver (Colombie-Britannique)
Vice-président du Conseil
Membre du Comité de direction du Conseil
Président du Comité de vérification du Conseil

F.W. GORBET
Sous-ministre
Ministère des Finances
Ottawa, Canada

J.T. HUMPHRIES
Granville West Group/ John T. Humphries Ltd.
Vancouver (Colombie-Britannique)
Président du Comité du Conseil chargé de la promotion commerciale

P. LABBÉ
Président et Chef de la direction
Société pour l'expansion des exportations
Ottawa, Canada
Membre du Comité de direction du Conseil

J. LAURENT, c.r.
Associé principal
Guy & Gilbert
Montréal (Québec)
Membre du Comité du Conseil chargé de la promotion commerciale

T.M. MUNN
Président
Munn & Company Limited
Mount Pearl (Terre-Neuve)
Membre du Comité de vérification du Conseil

J.M. ROMANCHUK
Vice-présidente principale
BBN James Capel Inc.
Calgary (Alberta)
Membre du Comité de vérification du Conseil

M.J. SABIA
Avocate
Toronto (Ontario)
Président du Conseil d'administration
Président du Comité de direction du Conseil

B.A. SULLY
Président du Conseil d'administration
Rosny Holdings Limited
Goderich (Ontario)
Membre du Comité du Conseil chargé de la promotion commerciale

Société	Canada	Total	Société	Canada	Total	Société	Canada	Total
	1989			1988			1987	
1 255 695	205 684	1 461 379	1 016 604	330 462	1 347 066	601 354	186 158	787 512
13 713	—	13 713	—	—	—	6 432	—	6 432
7 401	—	7 401	—	—	—	139	—	139
7 378	—	7 378	12 200	—	12 200	24 095	412	24 507
13 457	2 000	15 457	42 878	15 000	57 878	40 806	—	40 806
1 297 644	207 684	1 505 328	1 071 682	345 462	1 417 144	672 826	186 570	859 396
3 169 992	14 304	3 184 296	3 086 291	16 862	3 103 153	2 603 497	10 471	2 613 968
980 572	75 897	1 056 469	649 580	54 176	703 756	604 836	80 106	684 942
294 221	—	294 221	250 998	—	250 998	241 982	149	242 131
4 444 785	90 201	4 534 986	3 986 869	71 038	4 057 907	3 450 315	90 726	3 541 041
5 742 429	297 885	6 040 314	5 058 551	416 500	5 475 051	4 123 141	277 296	4 400 437
171	55	226	152	18	170	91	9	100
758	92	850	692	74	766	651	59	710
5 497 766	895 701	6 393 467	5 445 355	808 184	6 253 539	5 858 868	770 411	6 629 279
254	79	333	203	26	229	168	14	182
2 203 300	489 454	2 692 754	1 935 647	406 471	2 342 118	1 874 675	200 486	2 075 161
853 641	117 667	971 308	582 311	87 755	670 066	622 940	20 901	643 841
10	—	10	9	—	9	9	—	9
17 264	—	17 264	15 785	—	15 785	19 300	—	19 300
15 050	—	15 050	7 452	—	7 452	9 260	—	9 260
42	1	43	49	2	51	46	2	48
2 979 658	350 000	3 329 658	3 529 224	380 123	3 909 347	3 136 646	386 715	3 523 361
19	8	27	16	6	22	18	8	26
367 490	72 633	440 123	182 649	67 558	250 207	384 711	79 757	464 468
3	—	3	3	—	3	1	—	1
2 610	—	2 610	5 901	—	5 901	5	—	5
1 486	12	1 498	1 718	20	1 738	1 639	34	1 673
2 332	17	2 349	2 498	40	2 538	2 111	100	2 211
4 342 753	62 284	4 405 037	3 404 867	321 150	3 726 017	2 964 474	370 019	3 334 493
19 793	2 913	22 706	26 968	11 323	38 291	13 480	9 879	23 359
16 231	3 045	19 276	21 529	21 527	43 056	14 461	4 387	18 848
(6 273)	114	(6 159)	1 935	(572)	1 363	13 433	1 182	14 615
27 093	83	27 176	17 258	329	17 587	13 754	9 961	23 715
8 994	—	8 994	2 304	—	2 304	1 745	3 409	5 154
		500			492			514

Revue des cinq dernières années

(en milliers de dollars)

	Société 1991	Canada 1991	Total 1991	Société 1990	Canada 1990	Total 1990
Accords financiers aménagés						
Financement à l'exportation						
Financement direct	1 411 405	243 851	1 655 256	1 271 129	198 330	1 469 459
Garanties de la SEE	—	—	—	—	—	—
Participation bancaire	—	—	—	—	—	—
Prêts bancaires connexes	—	—	—	—	—	—
Prêts connexes de l'ACDI	25 826	4 300	30 126	4 656	—	4 656
Total partiel	1 437 231	248 151	1 685 382	1 275 785	198 330	1 474 115
Assurances à l'exportation						
Assurances à court terme	3 817 181	58 899	3 876 080	3 315 634	25 394	3 341 028
Assurances à moyen terme	1 046 093	33 790	1 079 883	1 411 479	28 812	1 440 291
Garanties	214 731	—	214 731	116 731	24 502	141 233
Total partiel	5 078 005	92 689	5 170 694	4 843 844	78 708	4 922 552
Total	6 515 236	340 840	6 856 076	6 119 629	277 038	6 396 667
Données financières et autres						
Financement à l'exportation						
Nombre de transactions financées	163	34	197	147	34	181
Nombre de prêts à recevoir	903	197	1 100	822	145	967
Prêts à recevoir	6 929 439	1 447 707	8 377 146	6 275 067	1 094 491	7 369 558
Nombre de prêts non déboursés	280	133	413	269	108	377
Prêts non déboursés	1 862 657	341 203	2 203 860	1 900 514	446 417	2 346 931
Versements aux exportateurs durant l'exercice	1 494 023	345 247	1 839 270	1 394 594	239 150	1 633 744
Garanties sur prêts en cours	7	—	7	9	—	9
Responsabilité relative aux garanties sur prêts	22 332	—	22 332	22 584	—	22 584
Sommes non déboursées pour les garanties sur prêts	2 481	—	2 481	6 363	—	6 363
Lignes de crédit et protocoles en vigueur	40	2	42	32	1	33
Sommes non affectées	4 023 741	299 583	4 323 324	2 730 887	290 091	3 020 978
Prêts rééchelonnés	23	11	34	19	3	22
Montants rééchelonnés	918 854	256 085	1 174 939	474 677	87 338	562 015
Prêts radiés	—	—	—	1	—	1
Montants radiés	—	—	—	652	—	652
Assurances à l'exportation						
Nombre de polices délivrées	1 573	20	1 593	1 215	21	1 236
Polices d'assurance et garanties en vigueur	2 330	33	2 363	1 936	25	1 961
Responsabilité relative aux assurances et aux garanties	5 363 849	152 470	5 516 319	4 748 087	88 557	4 836 644
Sinistres réglés	13 635	—	13 635	28 149	—	28 149
Sinistres recouvrés	12 469	1 032	13 501	4 945	—	4 945
Sinistres radiés (imputés)	9 419	(1 032)	8 387	8 898	—	8 898
Sinistres en cours en fin d'exercice	33 146	83	33 229	41 399	83	41 482
Demandes d'indemnisation à l'étude en fin d'exercice	3 403	—	3 403	4 514	—	4 514
Effectif moyen au cours de l'exercice			513			514

Revue des cinq dernières années

(en milliers de dollars)

Bilans au 31 décembre	**1991**	**1990**	**1989**	**1988**	**1987**
Prêts à recevoir	**6 495 933**	5 977 897	5 398 044	5 345 155	5 760 635
Moins : provision pour pertes	**449 202**	409 513	375 951	166 635	163 135
	6 046 731	5 568 384	5 022 093	5 178 520	5 597 500
Placements à court terme	**961 686**	1 292 796	1 352 317	1 107 751	1 038 669
Intérêts courus et autres éléments d'actif	**159 267**	179 015	192 380	236 182	296 559
Total de l'actif	**7 167 684**	7 040 195	6 566 790	6 522 453	6 932 728
Emprunts	**5 913 513**	5 855 168	5 472 527	5 220 721	5 624 117
Intérêts courus et autres éléments de passif	**332 965**	352 272	340 769	353 495	373 798
Provision pour sinistres	**86 144**	46 617	48 659	44 567	35 369
Total du passif	**6 332 622**	6 254 057	5 861 955	5 618 783	6 033 284
Capital-actions	**788 200**	772 000	697 000	697 000	697 000
Réserve pour éventualités	**—**	—	—	100 000	100 000
Bénéfices non répartis	**46 862**	14 138	7 835	106 670	102 444
Avoir de l'actionnaire	**835 062**	786 138	704 835	903 670	899 444
Total du passif et avoir de l'actionnaire	**7 167 684**	7 040 195	6 566 790	6 522 453	6 932 728

États des résultats					
Intérêts créditeurs et revenus d'honoraires	**483 130**	502 791	513 406	506 470	547 451
Arrangements pour l'allégement des intérêts	**29 336**	—	—	—	—
Primes d'assurance et revenus d'honoraires	**29 980**	26 613	25 543	23 527	19 762
Intérêts créditeurs sur placements	**67 399**	112 919	90 913	89 097	97 654
Bénéfice total	**609 845**	642 323	629 862	619 094	664 867
Intérêts débiteurs	**417 555**	500 642	507 357	483 389	569 790
Provision pour pertes et sinistres	**116 882**	96 013	283 390	94 647	59 178
Frais d'administration	**42 684**	39 365	37 950	36 832	34 401
Total des dépenses	**577 121**	636 020	828 697	614 868	663 369
Bénéfice net (perte nette)	**32 724**	6 303	(198 835)	4 226	1 498

10. Capital-actions

Le capital-actions autorisé est de 1,5 milliard de dollars, soit 15 millions d'actions d'une valeur nominale de 100 $ chacune. Le nombre d'actions émises et entièrement libérées est de **7 882 000** (7 720 000 en 1990). Au cours de l'exercice, la Société a émis **162 000 actions** (750 000 actions en 1990) d'une valeur de **16,2 millions** de dollars (75 millions de dollars en 1990).

11. Soldes en devises

(en milliers de dollars)

La Société possède un *actif* et un *passif* considérables en *dollars américains* et en *d'autres devises*. Compte tenu des contrats de change à terme, l'équivalent en dollars canadiens s'établit comme suit :

	1991	1990
Dollars américains		
Actif	**5 783 414**	5 489 990
Passif	**5 576 200**	5 335 082
Situation nette	**207 214**	154 908
Taux de change pour 1 $ US	**1,1555**	1,1599
Autres devises		
Actif	**395 950**	376 000
Passif	**432 059**	392 138
Situation nette	**(36 109)**	(16 138)

12. Instruments financiers hors bilan comportant des risques

Toute opération comporte nécessairement un risque de perte. Il peut s'agir de risques de crédit, par exemple lorsque l'autre partie à une opération ne respecte pas les termes de l'entente, ou de risques du marché par suite de fluctuations dans les taux de change et les taux d'intérêt.

La Société limite ses risques de crédit en ne traitant qu'avec des institutions financières bénéficiant d'une cote de solvabilité très élevée. De plus, elle possède des mécanismes internes pour les approbations de crédit, leur contrôle et leur suivi. Au 31 décembre 1991, l'engagement le plus élevé envers une seule institution financière s'élevait à 57 millions de dollars (74 millions de dollars en 1990). Afin de limiter ses engagements en ce qui concerne les risques du marché, et afin de réduire ses coûts de financement, la Société a eu recours, au cours de l'exercice, à des instruments de couverture et à des instruments financiers hors bilan comportant des risques. Les instruments financiers dérivés comportant des remboursements de principal effectif ou éventuel en vigueur au 31 décembre 1991 s'établissaient comme suit (en millions de dollars) :

	1991	1990
Contrats de change à terme	**1 826**	2 286
Swaps de devises	**1 396**	1 693
Swaps de taux d'intérêts	**1 231**	1 339
Contrats à taux d'intérêts plafonds, engagement jusqu'en 1998 ($ US)	**350**	350
Options sur taux d'intérêts vendues, venant à échéance le 1er août 1996 ($ US)	**150**	150

13. Comptes administrés pour le Canada

a) Aux termes de la Loi, la Société *administre pour le Canada* certains programmes de prêts et d'assurance autorisés par le gouverneur en conseil, pour lesquels le Conseil d'administration joue un rôle prédominant dans leur gestion et n'est responsable qu'en ce qui concerne l'administration des contrats. Ces comptes sont maintenus distinctement des comptes de la Société et sont consolidés chaque année, au 31 mars, dans les états financiers du gouvernement du Canada, qui font l'objet d'un rapport distinct du vérificateur général du Canada. Les éléments d'actif administrés pour le Canada, comportant essentiellement des *prêts à recevoir* et des *intérêts* et *honoraires courus* comptabilisés selon les conventions comptables établies par le gouvernement du Canada, se sont élevés à **1 537 millions** de dollars (1 256 millions de dollars en 1990).

En 1991, la Société a reçu du gouvernement du Canada **10,4 millions** de dollars (8,4 millions de dollars en 1990) au titre du recouvrement de ses frais d'administration.

b) Limites statutaires, engagements et assurances en vigueur.

La Loi prévoit que les prêts et les engagements en cours avec des emprunteurs étrangers ne peuvent *dépasser* 6 milliards de dollars sur les comptes administrés pour le Canada. La situation à l'égard de cette limite, déterminée conformément à la Loi, est de **1 780 millions** de dollars (1 532 millions de dollars en 1990).

La Loi prévoit également que la responsabilité engagée sur les comptes administrés pour le Canada en vertu des contrats *d'assurance*, des *garanties afférentes* et des *garanties* émises dans le cadre du programme des prêts ne peut jamais dépasser 7 milliards de dollars. Conformément à la Loi, la situation à l'égard de cette limite est de **152 millions** de dollars (89 millions de dollars en 1990). Les polices d'assurance en vigueur sur les comptes administrés au nom du Canada qui sont comprises dans les montants susmentionnés avaient une valeur de **152 millions** de dollars (84 millions de dollars en 1990).

Les intérêts créditeurs non courus pendant l'exercice se sont élevés à **181 878 $** (contre 185 290 $ en 1990).

En 1991, la Société a reçu des paiements d'intérêts de **52 965 $** (15 070 $ en 1990) de pays désignés non courants, qu'elle a portés au revenu selon la méthode de la comptabilité de caisse.

5. Provision pour pertes sur prêts

(en milliers de dollars)

La *provision pour pertes* se présente comme suit :

	1991	1990
Provision générale	**368 417**	402 504
Provision particulière	**80 785**	7 009
Total de la provision portée au bilan	**449 202**	409 513

Durant l'exercice, le montant imputé à la provision s'est élevé à **32 855 $** (44 027 $ en 1990), représentant surtout les intérêts courus antérieurement.

6. Prêts - engagements

La Société avait des engagements non déboursés relatifs à des conventions de prêt signées représentant **1 860 millions** de dollars (1 894 millions de dollars en 1990).

La Société compte financer ces engagements non déboursés *peu avant* leurs versements, généralement sur une période de trois ans, en émettant des titres de créance sur les marchés financiers internationaux à des taux d'intérêt commerciaux, et en augmentant le capital-actions. De façon générale, la Société s'efforce *d'apparier* les échéances et les devises de ses emprunts avec celles de ses prêts.

7. Assurances et garanties

(en milliers de dollars)

La répartition géographique des assurances en vigueur et des garanties de la Société s'établit comme suit :

	1991	1990
Pacifique et Asie	**839 169**	795 639
Moyen-Orient et Afrique	**436 219**	525 318
Europe	**895 713**	898 819
Amérique du Nord et Antilles	**1 259 716**	1 029 274
Amérique du Sud	**556 164**	362 022
Total	**3 986 981**	3 611 072

8. Sinistres sur assurances recouvrables

(en milliers de dollars)

En 1991, la Société a versé des indemnités sur assurances de **13 635 $** (28 149 $ en 1990) et a recouvré **12 469 $** (4 945 $ en 1990). Des indemnités de **4 363 $** (20 013 $ en 1990) ont été imputées sur la provision pour sinistres en 1991.

9. Emprunts

(en milliers de dollars)

La Société a émis des titres de dette sur les marchés financiers du monde à des taux d'intérêt commerciaux. La Société a émis des titres à long terme libellés en dollars américains, en deutsche marks, en yens japonais, en lires italiennes, en markka finlandais, en unités monétaires européennes (ECU), en francs suisses et en dollars canadiens. La plupart des titres libellés en devises autres que le dollar américain ont fait l'objet de swaps pour des titres libellés en dollars américains.

Les devises de remboursement des titres en question se présentent comme suit :

	1991	1990
Dollar américain	**3 362 534**	3 293 333
ECU	**154 209**	127 406
Dollar canadian	**189 076**	226 587
Franc suisse	**11 187**	12 029
Total	**3 717 006**	3 659 355

Les échéances des emprunts se présentent comme suit :

	1991	1990
À moins de 12 mois — taux fixes	**415 267**	457 026
— taux flottants	**2 486 702**	2 447 712
1992	—	725 860
1993	**752 011**	760 276
1994	**585 535**	123 743
1995	**72 173**	72 173
1996	**338 033**	311 718
1997 et au-delà	**1 263 792**	956 660
Total	**5 913 513**	5 855 168
Prêts commerciaux inclus ci-dessus à des taux fixes	**2 557 804**	2 372 819
Prêts renouvelables à des taux flottants ou à des taux fixes à court terme	**3 355 709**	3 482 349

Conversion des devises

La Société couvre ses éléments d'actif et de passif en dollars américains sur *l'ensemble de son portefeuille*. Les risques nets associés aux fluctuations du taux de change du dollar américain sont attribuables à des décalages de trésorerie à court terme. La Société gère ses éléments d'actif et de passif libellés en dollars américains de façon à minimiser ces risques nets. Il s'ensuit que les éléments d'actif et de passif en devises autres que le dollar américain font l'objet d'une couverture particulière de façon à minimiser ces risques. Tous les éléments d'actif et de passif libellés en devises étrangères sont convertis en dollars canadiens aux taux de change en vigueur à la fin de l'exercice.

Les revenus et les dépenses sont convertis aux taux de change moyens mensuels en vigueur pendant l'exercice. Les gains et les pertes découlant de la conversion des soldes et des opérations en devises sont portés aux intérêts créditeurs sur placements.

Autres instruments financiers

La Société est appelée à se servir d'une vaste gamme d'instruments financiers dérivés hors bilan, dont les contrats de change à terme, les swaps de devises et de taux d'intérêt, les options, les taux plafonds et planchers et les contrats à terme, afin de réduire les risques du marché et de crédit et les frais de financement.

Ces instruments sont réévalués à chaque arrêté comptable et, à l'exception des opérations de couverture, les gains ou pertes réalisés ou non réalisés qui en résultent sont inclus dans les résultats. Les gains ou pertes découlant des opérations de couverture sont reportés et comptabilisés aux résultats pendant le restant de la durée de l'élément couvert. Les frais d'émission de ces instruments sont comptabilisés au poste des intérêts débiteurs.

3. Prêts à recevoir

(en milliers de dollars)

Les prêts à recevoir des emprunteurs souverains et commerciaux sont pour la plupart consentis à des taux d'intérêt fixes compétitifs par rapport à ceux qui sont offerts par les organismes de crédit à l'exportation semblables dans d'autres pays.

Les échéances de ces prêts se présentent comme suit :

	1991	1990
Non courants	**1 705 622**	1 323 811
À moins de 12 mois — taux fixes	**574 572**	519 265
— taux flottants	**499 556**	334 176
En souffrance	**53 527**	50 061
1992	—	750 181
1993	**583 355**	505 019
1994	**525 589**	497 399
1995	**480 021**	443 737
1996	**418 995**	377 516
1997 et au-delà	**1 654 696**	1 176 732
Total	**6 495 933**	5 977 897
Prêts commerciaux inclus ci-dessus	**1 272 103**	942 694
Prêts à taux flottants, généralement basés sur les taux LIBOR, compris dans le montant total des prêts	**2 502 492**	2 134 249

La répartition géographique de ces prêts est la suivante :

	1991	1990
Pacifique et Asie	**1 376 426**	1 215 893
Moyen-Orient et Afrique	**1 499 005**	1 590 381
Europe	**875 654**	856 678
Amérique du Nord et Antilles	**1 458 093**	1 085 764
Amérique du Sud	**1 286 755**	1 229 181
Total	**6 495 933**	5 977 897

4. Prêts à recevoir non courants

(en milliers de dollars)

La répartition géographique des prêts non courants et des intérêts non courus hors bilan s'établit comme suit :

	1991		1990	
	Principal	**Intérêts**	Principal	Intérêts
Pacifique et Asie	—	—	—	—
Moyen-Orient et Afrique	**695 840**	**192 636**	604 746	129 327
Europe	**242 421**	**230 441**	242 736	218 007
Amérique du Nord et Antilles	**75 069**	**63 241**	57 948	46 817
Amérique du Sud	**692 292**	**368 882**	418 381	254 157
Total	**1 705 622**	**855 200**	1 323 811	648 308
Prêts commerciaux inclus ci-dessus	**21 431**	**5 391**	5 288	4 736

depuis la signature d'un accord de rééchelonnement, ou pendant deux ans en l'absence de mécanismes de rééchelonnement. On ne reconnaît pas, aux fins comptables, la capitalisation des intérêts dans les accords de rééchelonnement subséquents des prêts non courants.

Intérêts créditeurs et revenu d'honoraires

L'intérêt court sur le principal à recevoir à l'égard des prêts pour lesquels on n'a pas reçu de versements importants pendant 180 jours, ou lorsque la direction estime qu'un prêt devrait être considéré comme non courant.

Lorsqu'un prêt est jugé non courant, la Société ne comptabilise plus au revenu les intérêts à recevoir sur ce prêt et passe, sur la provision pour pertes sur prêts, une écriture de contrepassation des intérêts accumulés précédemment au cours d'une période d'au plus 12 mois.

Les paiements d'intérêts à l'égard des prêts non courus sont inscrits comme intérêts créditeurs sur réception.

Lorsque l'on a pu établir que l'ensemble ou la plupart des montants exigibles font l'objet de remboursements réguliers, on reprend la méthode de la comptabilité d'exercice.

Le revenu d'honoraires sur les prêts est porté au revenu pendant les périodes de versement et de remboursement des prêts.

Arrangements pour l'allégement des intérêts

Conformément aux accords multilatéraux sur le service de la dette et l'allégement de la dette conclus entre le gouvernement du Canada et des emprunteurs souverains, la Société comptabilise comme intérêts créditeurs les montants devant être versés par le gouvernement du Canada.

Provision pour pertes sur prêts

La provision pour pertes sur prêts est établie après examen, au moins une fois l'an, de la valeur de recouvrement de tous les prêts consentis à des emprunteurs *commerciaux* et *souverains*.

À la suite de l'examen de tous les prêts consentis à des emprunteurs *commerciaux*, la Société impute aux résultats un montant suffisant spécialement destiné à couvrir les pertes éventuelles sur le portefeuille des prêts à recevoir *commerciaux* pour tenir compte de la diminution du poste d'actif se rapportant aux prêts *commerciaux*.

En plus des *provisions spéciales* pour pertes sur prêts commerciaux, la Société constitue prudemment une *provision générale*, fondée sur les meilleures estimations de la direction, sur le portefeuille des prêts à recevoir commerciaux et souverains pour lesquels aucune provision spéciale n'a été instituée.

À la lumière de l'expérience acquise, la haute direction est d'avis qu'à l'exception des rares cas de refus catégorique d'honorer la dette ou de radiation de la valeur d'actif convenue par les créanciers, le recouvrement, en fin de compte, des obligations souveraines ne doit pas être mis en doute, même s'il faut accepter des retards indéfinis dans le remboursement de principal et les paiements d'intérêts.

Sinistres sur assurances recouvrables

Les indemnités payées sur assurances sont comptabilisées aux valeurs de recouvrement estimatives. Les gains ou pertes nets qui en découlent sont portés au crédit ou au débit de la provision pour sinistres sur assurances et garanties.

Provision pour sinistres sur assurances et garanties

La provision pour sinistres sur assurances et garanties, qui tient compte des *sinistres subis antérieurement* et des sinistres éventuels, représente la responsabilité, fondée sur les meilleures estimations de la direction, que la Société est appelée et sera probablement appelée à assumer à l'égard des événements assurés. À cette provision se greffe une provision spéciale, qui fait l'objet d'un poste distinct de l'état des résultats, pour tenir compte des risques élevés de certains contrats d'assurance que la Société assume de temps à autre.

Primes d'assurance

Les primes et honoraires d'assurance sont gagnés au Canada. Pour les polices d'assurance à court terme, les primes sont comptabilisées au revenu dès que la protection entre en vigueur. En ce qui concerne les autres polices d'assurance à l'exportation, les primes sont comptabilisées selon des méthodes qui reflètent généralement la part des risques assumés pendant la durée des polices.

Intérêts débiteurs

Les intérêts débiteurs comprennent les dépenses de couverture, les frais inhérents aux instruments financiers hors bilan et l'amortissement linéaire, sur la durée de la dette, de l'escompte à la souscription et des frais d'émission.

1. Mandat et activités de la Société

La Société pour l'expansion des exportations («la Société») a été créée le 1er octobre 1969 par une loi du Parlement canadien, la Loi sur l'expansion des exportations («la Loi»). *Mandataire* de Sa Majesté du chef du Canada, la Société a pour objet de faciliter et d'accroître les échanges commerciaux entre le Canada et d'autres pays au moyen de prêts, de garanties et d'assurances. Elle relève du Parlement par l'intermédiaire du ministre du Commerce extérieur.

Le gouvernement du Canada a convenu qu'il peut demander des affectations budgétaires au Parlement pour que la Société puisse couvrir toute perte éventuelle.

La Société n'est pas assujettie à la Loi de l'impôt sur le revenu en ce qui concerne ses bénéfices.

En sa qualité d'*organisme de crédit à l'exportation* et de *mandataire* de Sa Majesté du chef du Canada, la Société bénéficie de la participation du Canada au Club de Paris. Sous les auspices de ce groupe international chargé de régler, sur le plan multilatéral, les difficultés de paiement des entités souveraines, des négociations débouchent sur des accords de rééchelonnement auxquels viennent s'ajouter des mesures imposées par le Fonds monétaire international pour alléger ces problèmes de remboursement.

Le gouvernement du Canada estime que la stratégie adoptée à l'égard de l'endettement international pourrait donner lieu à des ententes multilatérales entre les gouvernements créditeurs qui viseraient à réduire la dette et le service de la dette afin de faciliter l'application des programmes officiels de redressement économique adoptés par certains pays débiteurs. Il s'est engagé à indemniser entièrement la Société pour toutes les conséquences financières qu'elle pourrait subir s'il participait à ces ententes. En conséquence, aucune provision n'est prévue dans les états financiers à cet égard.

Aux termes de la Loi, le montant maximal des *prêts* en souffrance et des *engagements* de la Société auprès d'emprunteurs étrangers ne doit pas dépasser 15 milliards de dollars. Au 31 décembre 1991, les engagements de la Société à cet égard, établis conformément aux dispositions de la Loi, s'établissaient à **8,7 milliards** de dollars (contre 8,1 milliards en 1990).

En outre, toujours aux termes de la Loi, la Société peut assumer, en vertu de *contrats d'assurance*, de *garanties connexes* et de *garanties* dans le cadre du programme de prêts, une responsabilité d'un montant maximal de 15 milliards de dollars. Les engagements de la Société à cet égard se sont élevés à **5,4 milliards** de dollars (contre 4,8 milliards en 1990).

Tous les prêts consentis par la Société à titre de mandataire de Sa Majesté du chef du Canada engagent la pleine foi du Canada. Aux termes de la Loi, le montant global des emprunts en cours de la Société ne doit pas dépasser *dix fois le total* obtenu en additionnant le capital d'apport et les bénéfices non répartis de la Société, déterminés conformément aux états financiers *vérifiés* les plus récents. La limite d'emprunt est de **8 milliards** de dollars (contre 7,7 milliards en 1990), et les emprunts effectivement contractés par la Société se sont élevés à **5,9 milliards** de dollars (soit le même montant qu'en 1990).

La Société conclut des opérations avec d'autres ministères et organismes gouvernementaux, ainsi qu'avec des sociétés d'État, dans le cours normal de ses affaires.

2. Résumé des principales conventions comptables

Les présents états financiers ont été dressés conformément aux principes comptables généralement reconnus au Canada, appliqués de façon uniforme, et ils respectent, dans tous leurs points essentiels, les Normes comptables internationales. On trouvera, ci-après, un résumé des principales conventions comptables :

Titres négociables

Les titres négociables sont inscrits à leur valeur du marché. Les gains et les pertes sont inclus dans les intérêts créditeurs.

Prêts à recevoir

Les prêts à recevoir, principalement consentis à des entités *souveraines*, représentent l'équivalent en dollars canadiens des montants initialement versés. Ils comprennent, le cas échéant, les intérêts capitalisés dans le processus de rééchelonnement ou de restructuration des prêts dont le remboursement présente des difficultés.

Les prêts sont jugés courants ou non courants. Par prêt non courant, il faut entendre un prêt dont le recouvrement présente de sérieux doutes à court ou moyen terme, un prêt pour lequel on n'a pas reçu de versements importants pendant un an

État de l'évolution de la situation financière

pour l'exercice terminé le 31 décembre 1991
(en milliers de dollars)

	1991	1990
EXPLOITATION		
Bénéfice net	**32 724**	6 303
Éléments sans incidence sur l'encaisse		
Provision pour pertes sur prêts	**72 544**	77 589
Provision pour sinistres	**44 338**	18 424
Intérêts et honoraires courus	**(2 481)**	22 116
Autres variations	**43 374**	(21 811)
Encaisse provenant de l'exploitation	**190 499**	102 621
PRÊTS		
Versements sur prêts	**(1 494 023)**	(1 394 594)
Remboursements de prêts	**970 009**	851 310
Éléments sans incidence sur l'encaisse		
(Diminution) augmentation nette du revenu reporté	**(14 894)**	10 621
Intérêts rééchelonnés	**(15 838)**	(24 856)
Intérêts sur prêts contrepassés	**(33 030)**	(43 978)
Encaisse utilisée pour les prêts	**(587 776)**	(601 497)
FINANCEMENT		
Emprunts à long terme effectués	**883 042**	1 007 885
Remboursements d'emprunts à long terme	**(838 851)**	(860 215)
Augmentation des emprunts à court terme	**15 406**	178 352
Émission de capital-actions	**16 200**	75 000
Encaisse provenant du financement	**75 797**	401 022
Diminution de l'encaisse et des titres négociables	**(321 480)**	(97 854)
Incidence du taux de change sur le solde d'ouverture de l'encaisse	**(9 630)**	38 333
ENCAISSE ET TITRES NÉGOCIABLES		
Au début de l'exercice	**1 292 796**	1 352 317
À la fin de l'exercice	**961 686**	1 292 796

État des résultats et des bénéfices non répartis

pour l'exercice terminé le 31 décembre 1991
(en milliers de dollars)

	1991	1990
Prêts et garanties		
Intérêts créditeurs	**440 855**	463 325
Arrangements pour l'allégement des intérêts	**29 336**	—
Revenu d'honoraires	**42 275**	39 466
	512 466	502 791
Moins : provision pour pertes sur prêts	**72 544**	77 589
	439 922	425 202
Assurances et garanties		
Primes et revenu d'honoraires	**29 980**	26 613
Moins : provision pour sinistres	**19 338**	18 424
	10 642	8 189
Intérêts créditeurs sur placements	**67 399**	112 919
	517 963	546 310
Intérêts débiteurs		
À long terme	**263 586**	313 431
À court terme	**153 969**	187 211
	417 555	500 642
Provision supplémentaire pour sinistres	**25 000**	—
Frais d'administration	**42 684**	39 365
	485 239	540 007
Bénéfice net	**32 724**	6 303
Bénéfices non répartis		
Au début de l'exercice	**14 138**	7 835
À la fin de l'exercice	**46 862**	14 138

	1991	1990
PASSIF		
Emprunts (note 9)		
À court terme	**2 196 507**	2 195 813
Partie des emprunts à long terme échéant dans les 12 mois	**705 462**	708 925
	2 901 969	2 904 738
À long terme	**3 011 544**	2 950 430
	5 913 513	5 855 168
Intérêts courus	**159 399**	179 702
	6 072 912	6 034 870
Autres éléments de passif et revenu reporté		
Créditeurs	**33 711**	17 700
Primes d'assurance reportées	**9 708**	11 120
Provision pour sinistres sur assurances et garanties	**86 144**	46 617
Revenu d'honoraires sur les prêts reporté et autres crédits	**130 147**	143 750
	259 710	219 187
AVOIR DE L'ACTIONNAIRE		
Capital-actions (note 10)	**788 200**	772 000
Bénéfices non répartis	**46 862**	14 138
	835 062	786 138
	7 167 684	7 040 195

Engagements, passif éventuel et autres risques (notes 6, 7 et 12)

Approuvé par le Conseil d'administration

Charles Diamond,
administrateur

Paul Labbé,
administrateur

M.D.J. Bakker,
chef des Services financiers

Bilan

au 31 décembre 1991
(en milliers de dollars)

	1991	1990
ACTIF		
Encaisse et titres négociables		
Encaisse et dépôts à court terme	**764 415**	1 127 369
Titres négociables	**197 271**	165 427
Intérêts courus	**9 672**	17 907
	971 358	1 310 703
Prêts à recevoir (notes 3 et 4)		
À long terme	**5 368 278**	5 074 395
Partie des prêts à long terme échéant dans les 12 mois	**1 127 655**	903 502
	6 495 933	5 977 897
Intérêts et honoraires courus	**114 486**	123 182
	6 610 419	6 101 079
Moins : provision pour pertes sur prêts (note 5)	**449 202**	409 513
	6 161 217	5 691 566
Autres		
Sinistres recouvrables sur assurances (note 8)	**5 162**	8 318
Valeur non amortie de l'escompte à la souscription et des frais d'émission et autres éléments d'actif	**29 947**	29 608
	35 109	37 926
	7 167 684	7 040 195

Rapport du vérificateur

AUDITOR GENERAL OF CANADA — VÉRIFICATEUR GÉNÉRAL DU CANADA

Au ministre du Commerce extérieur

J'ai vérifié le bilan de la Société pour l'expansion des exportations au 31 décembre 1991 et les états des résultats et des bénéfices non répartis et de l'évolution de la situation financière de l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction de la Société. Ma responsabilité consiste à exprimer une opinion sur ces états financiers en me fondant sur ma vérification.

Ma vérification a été effectuée conformément aux normes de vérification généralement reconnues au Canada, en accord avec les Normes de vérification internationales. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir un degré raisonnable de certitude quant à l'absence d'inexactitudes importantes dans les états financiers. La vérification comprend le contrôle par sondages des informations probantes à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À mon avis, ces états financiers présentent fidèlement, à tous égards importants, la situation financière de la Société au 31 décembre 1991, ainsi que les résultats de son exploitation et l'évolution de sa situation financière pour l'exercice terminé à cette date selon les principes comptables généralement reconnus au Canada, en accord avec les Normes comptables internationales. Conformément aux exigences de la Loi sur la gestion des finances publiques, je déclare qu'à mon avis ces principes ont été appliqués de la même manière qu'au cours de l'exercice précédent.

De plus, à mon avis, les opérations de la Société dont j'ai eu connaissance au cours de ma vérification des états financiers ont été effectuées, à tous égards importants, conformément à la partie X de la Loi sur la gestion des finances publiques et ses règlements, à la Loi sur l'expansion des exportations et aux règlements administratifs de la Société.

Le vérificateur général du Canada

L. Denis Desautels

L. Denis Desautels, FCA

Ottawa, Canada
le 26 février 1992

RESPONSABILITÉ DE LA DIRECTION À L'ÉGARD DES ÉTATS FINANCIERS

Les présents états financiers ont été établis par la direction conformément aux principes comptables généralement reconnus au Canada, appliqués de façon uniforme, et ils respectent, dans tous leurs points essentiels, les normes comptables internationales. Il incombe à la direction de veiller à ce que les données contenues dans ces états financiers soient présentées de façon intègre et objective. Les états financiers comprennent certains montants, tels les provisions pour pertes sur prêts et pour sinistres, qui sont fondés sur les meilleures estimations et le jugement de la direction. La direction veille également à l'exactitude de tous les autres renseignements contenus dans le rapport annuel et, le cas échéant, à la concordance entre ces renseignements et les renseignements et données contenus dans les états financiers. Afin de s'acquitter de ces charges, la direction recourt à des systèmes et à des pratiques de vérification financière et gestionnelle qui lui permettent d'assurer, dans une large mesure, la fiabilité des renseignements financiers, la sauvegarde de l'actif et l'efficacité des opérations. La Société s'est dotée d'un service de vérification interne qui se charge, notamment, de l'examen suivi des contrôles internes et de leur mise en oeuvre.

Le Conseil d'administration doit veiller à ce que la direction s'acquitte de ses responsabilités en ce qui concerne les rapports financiers et les contrôles internes. Il confie cette tâche au Comité de vérification du Conseil, composé d'administrateurs qui ne sont pas des employés de la Société. Le Comité de vérification rencontre régulièrement les membres de la direction, les vérificateurs internes et les représentants du Vérificateur général du Canada.

Le Conseil d'administration est responsable de toutes les opérations entreprises par la Société. Les contrats qui, de l'avis du Conseil d'administration, comportent des risques pour une période ou un montant dépassant ce à quoi la Société s'engagerait normalement peuvent être autorisés par le gouverneur général en conseil, si le Ministre les considère dans l'intérêt national. Le Conseil d'administration joue un rôle prépondérant dans la gestion de ce programme, mais ses responsabilités se limitent à l'administration. Les fonds requis pour ces contrats sont versés par le Canada à la Société et les fonds recouvrés sont remis au Canada, déduction faite des montants retenus pour couvrir les frais d'administration connexes. Les comptes administrés pour le Canada sont présentés à la note 13 afférente aux états financiers de la Société.

Le Vérificateur général du Canada effectue un examen indépendant, conformément aux normes de vérification généralement reconnues, et formule une opinion sur les états financiers. Son rapport figure à la page suivante.

Le Président et
Chef de la direction,

Paul Labbé

Le Premier vice-président, Finances
et Chef des Services financiers,

M.D.J. Bakker

Performance de la Société

La performance de la Société peut être mesurée selon différents critères. Le premier qui vient à l'esprit est la croissance de l'appui qu'elle accorde d'une année à l'autre. Quant aux facteurs-clés qui influent sur les occasions données à la SEE d'accorder cet appui, ce sont la nature des biens et services exportés par les Canadiens, les marchés et les acheteurs auxquels s'adressent les exportateurs et la capacité de la Société d'offrir un appui à long terme au moyen de services concurrentiels de financement et d'assurances. Autre facteur important : la capacité d'auto-financement de la SEE. Celle-ci se reflète, en partie, dans sa capacité de maintenir un bénéfice net positif.

Le tableau ci-dessous montre la performance chiffrée de la Société dans ces différents domaines, ainsi qu'une comparaison avec les chiffres contenus dans le Plan de la Société de 1991 et avec les résultats de l'exercice 1990.

(en milliers de dollars)	**1991 Résultats**	1991 Plan	1990 Résultats
Financement à l'exportation			
Compte de la Société	**1 411 405**	1 100 000	1 271 129
Compte du Canada	**243 851**	– S/O –	198 330
	1 655 256	1 100 000	1 469 459
Autres institutions	**30 126**	– S/O –	4 656
Total	**1 685 382**	1 100 000	1 474 115
Assurances à l'exportation			
Compte de la Société	**5 078 005**	4 829 000	4 843 844
Compte du Canada	**92 689**	– S/O –	78 708
Total	**5 170 694**	4 829 000	4 922 552
Total global	**6 856 076**	5 929 000	6 396 667
Bénéfice net	**32 724**	3 000	6 303

Message du Président

La SEE a enregistré une très bonne performance financière en 1991, le bénéfice de **32,7 millions** de dollars étant l'un des plus élevés de son histoire. Parmi les principaux facteurs qui ont contribué à cette performance, notons la réduction considérable des frais d'intérêt sur nos emprunts et la participation du gouvernement du Canada à des accords internationaux sur l'allégement de la dette pour la Pologne et l'Égypte, ce qui a permis à ces deux pays de recommencer à s'acquitter de leurs obligations envers la SEE.

Le résultat net de 1991 contraste avec celui d'il y a deux ans, alors que, en raison d'une augmentation significative des prêts non productifs, et compte tenu du maintien possible de la tendance en 1990, la Société avait procédé à un virement exceptionnel de 200 millions de dollars à la provision pour pertes sur prêts. Les fonds avaient été prélevés sur les bénéfices non répartis, c'est-à-dire essentiellement les bénéfices accumulés des années antérieures, entraînant ainsi une forte réduction du capital de base de la Société. La première et seule année où la SEE a subi une perte a été en 1989, et ceci reflétait en réalité une décision financière prudente tant de sa part que de la part de son Conseil d'administration.

En 1991, la Société a maintenu ces pratiques de gestion financière prudente, en portant la provision pour pertes sur prêts de 410 millions à **449 millions** de dollars à la fin de l'exercice et la provision pour sinistres de 47 millions à **86 millions** de dollars. Le bénéfice est cependant supérieur à celui des années précédentes, et les prévisions nous laissent croire qu'il demeurera important au moins encore pendant quelques années.

Il convient toutefois d'apporter deux précisions. Premièrement, le bénéfice de la Société ne découle pas d'une majoration générale de ses droits et commissions. Le revenu d'honoraires et de primes pour l'exercice 1991 a en gros augmenté proportionnellement à l'appui que nous avons globalement accordé aux exportations canadiennes. D'autre part, pour l'avenir, le rétablissement du capital de base de la SEE grâce à ces bénéfices nous paraît essentiel à la santé financière de la Société et à sa capacité de continuer à offrir aux exportateurs canadiens des services concurrentiels, en matière de gestion des risques et de crédits à l'exportation sur la scène internationale.

À mesure que l'actif total de la SEE continue de croître, à l'instar de l'appui croissant que la Société accorde aux exportateurs, son capital de base doit suivre le même rythme. La SEE a par conséquent utilisé les bénéfices réalisés en 1991 pour ramener peu à peu ses bénéfices non répartis au niveau atteint avant 1989. Toutefois, dans le contexte financier actuel, elle ne peut se permettre de compter uniquement sur le gouvernement du Canada pour répondre à ses besoins en capitaux, ce qui l'a incitée à rajuster sa stratégie financière en conséquence. Afin d'atteindre cet objectif, la Société s'efforce d'obtenir un taux de rendement de plus en plus élevé sur son capital-actions.

Le Conseil d'administration et la direction de la SEE sont fermement convaincus – et nous croyons que nos clients le sont aussi – que des rapports fructueux et productifs à long terme avec les exportateurs ne pourront être maintenus que si la Société s'appuie sur une bonne santé financière. Ce type de partenariat est en effet le seul élément qui nous permettra de contribuer au succès permanent de nos clients sur les marchés internationaux.

Le Président et Chef de la direction,

Paul Labbé

Paul Labbé

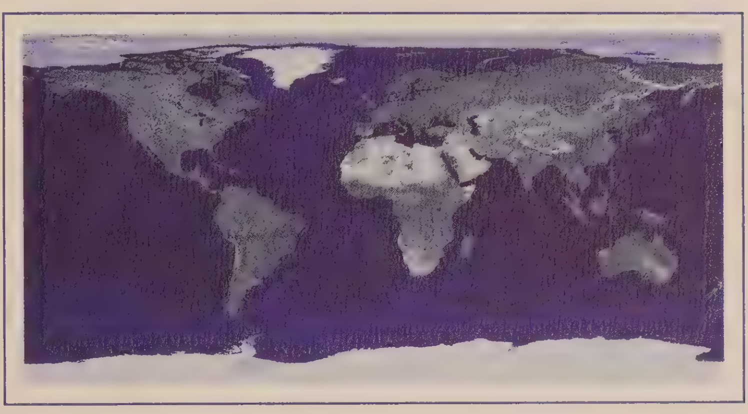
Profil de la Société

«Être le chef de file mondial quant à la qualité des services financiers offerts à nos clients.»

La Société pour l'expansion des exportations (SEE) est l'organisme officiel de crédit à l'exportation du Canada. Elle aide les exportateurs canadiens à soutenir la concurrence sur les marchés internationaux en réduisant les risques financiers inhérents aux ventes à l'exportation. Les services financiers offerts par la SEE comprennent l'assurance-crédit à l'exportation, les prêts aux acheteurs étrangers de biens et services canadiens et les garanties connexes, ainsi que l'assurance-investissement à l'étranger.

1991

RAPPORT ANNUEL

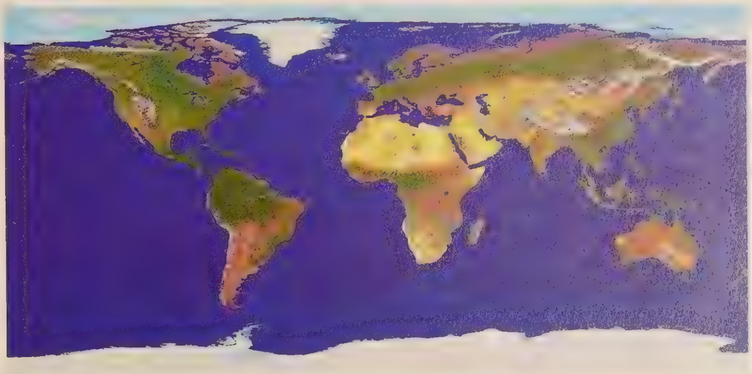


Société pour l'expansion des exportations

Export Development Corporation

Annual Review

Revue de l'année écoulée



1991

Export Development Corporation

Société pour l'expansion des exportations

About This Review

The 1991 Annual Review is a companion publication to EDC's 1991 Annual Report. This Review summarizes EDC's 1991 performance and provides a detailed look at EDC's operations, products and services. The 1991 Annual Report presents EDC's audited financial statements and analysis of its financial results.

Copies of the Annual Report, or additional copies of this Review, are available from:

Export Development Corporation
151 O'Connor St.
Ottawa, Canada
K1A 1K3

Tel.: (613) 598-2500
Fax: (613) 237-2690

Quelques mots sur la revue de l'année écoulée

La revue de l'année écoulée est le document d'accompagnement du rapport annuel 1991 de la SEE. Elle résume les réalisations de la Société pour l'exercice correspondant et fournit une analyse détaillée de ses opérations ainsi que des produits et services qu'elle offre. Le rapport annuel, quant à lui, donne les états financiers vérifiés de la Société et une analyse des résultats.

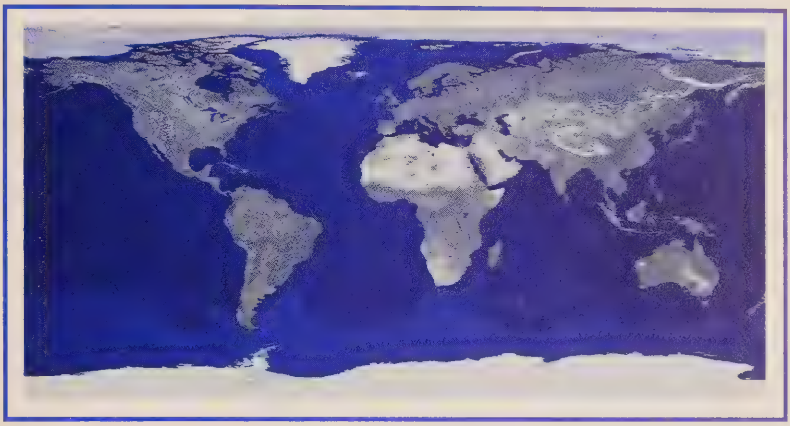
Pour obtenir un exemplaire du rapport annuel ou des copies supplémentaires de la présente revue, veuillez vous adresser à :

Société pour l'expansion des exportations
151, rue O'Connor
Ottawa, Canada
K1A 1K3

Tel. : (613) 598-2500
Fax : (613) 237-2690

Customers Mean the World to Us

Nos clients, le centre de notre univers



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Corporate Profile / Profil de la Société

"We will be the best in the world at providing the highest quality financial services for our customers."

The Export Development Corporation (EDC) is Canada's official export credit agency. EDC helps Canadian exporters compete more effectively in international markets by reducing financial risks in support of export sales. EDC's financial services include export credit insurance and related guarantees, loans to foreign buyers of Canadian goods and services, and foreign investment insurance.

«Être le chef de file mondial quant à la qualité des services financiers offerts à nos clients.»

La Société pour l'expansion des exportations (SEE) est l'organisme officiel de crédit à l'exportation du Canada. Elle aide les exportateurs canadiens à soutenir la concurrence sur les marchés internationaux en réduisant les risques financiers inhérents aux ventes à l'exportation. Les services financiers offerts par la SEE comprennent l'assurance-crédit à l'exportation et les garanties connexes, les prêts aux acheteurs étrangers de biens et services canadiens et l'assurance-investissement à l'étranger.

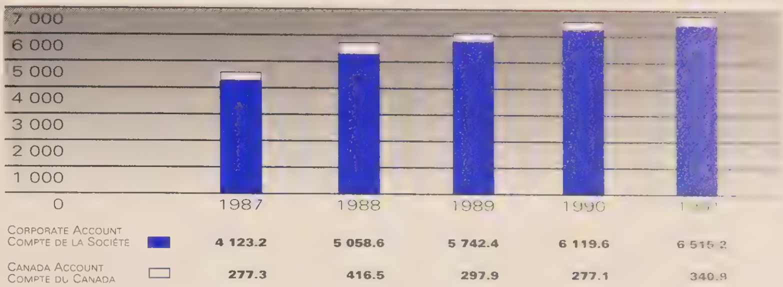
Highlights / Faits saillants

- A total of 1,924 customers used EDC's products and services.
- Approximately 187,000 person-years of employment were created or sustained by Canadian exporters using EDC's services.
- More than 860 Canadian firms benefitted from EDC's small business programs.
- Total business volume (Corporate and Canada Accounts) increased 7 percent to $6.9 billion.
- Business volume per employee increased to $13.4 million.

- Au total, 1 924 clients ont utilisé les produits et services de la SEE.
- Environ 187 000 années-personnes d'emploi ont été créées ou maintenues par les exportateurs canadiens qui ont utilisé les services de la SEE.
- Plus de 860 entreprises canadiennes ont bénéficié des programmes pour petites entreprises de la SEE.
- Le volume d'activités (Compte de la Société et Compte du Canada) de la SEE s'est accru de 7 p. 100, pour passer à 6,9 milliards de dollars.
- Le volume d'activités par employé a été porté à 13,4 millions de dollars.

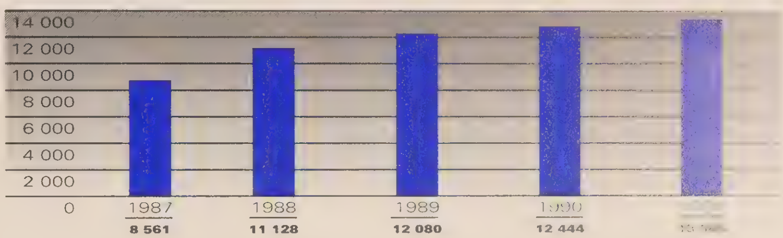
Business Volume (in millions $)

Volume d'activités (en millions de $)



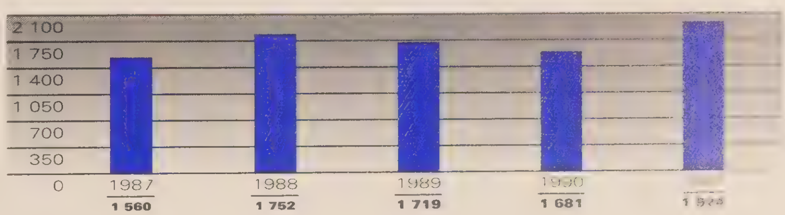
Business Volume per Employee (in thousands $)

Volume d'activités par employé (en milliers de $)



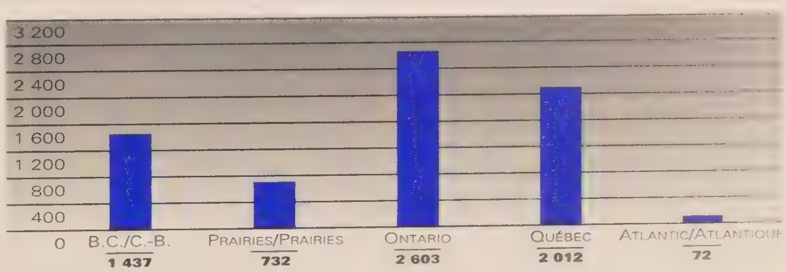
Customers Supported (number of companies)

Clients appuyés (nombre d'entreprises)



Business Volume by Region (in millions $)

Volume d'activités par région (en millions de $)



Chairman and President's Message

EDC and its customers are doing business in a world that is changing very rapidly. Globalization is making national economies increasingly interdependent, and boundaries between domestic and international markets are becoming less relevant for consumers, producers, suppliers and governments alike. Furthermore, while the international business environment is growing more competitive, it is being fundamentally transformed by changes in consumer attitudes, technology, trade and foreign investment flows, as well as by the emergence of global corporations.

EDC understands the tremendous challenges facing Canadian exporters in these turbulent times and is committed to helping exporters succeed.

Maureen Sabia, Chairman of the Board of Directors, and Paul Labbé, President and Chief Executive Officer.

La SEE est fort consciente des difficultés qu'éprouvent les exportateurs canadiens. Dans les conditions pénibles que nous connaissons, elle s'efforce d'aider les entreprises à atteindre leurs objectifs d'exportation.

Maureen Sabia, présidente du Conseil d'administration, et Paul Labbé président et Chef de la direction

Other factors are exacerbating the rate and nature of change in the international business community, as well as the uncertainties of doing business in international markets. Among these are: first, the tremendous changes taking place in Eastern Europe and the former states of the U.S.S.R. as they grapple with the difficulties of shifting from Communist centrally planned states to more market-driven republics. Second, the European Community is expanding to include more European countries and at the same time, is moving towards a greater degree of integration by the end of 1992. Third, there is uncertainty surrounding the outcome of the Uruguay Round of the GATT negotiations, as well as, closer to home, the outcome of the North American Free Trade discussions among Canada, the United States and Mexico.

That is the background against which the federal government has launched its nation-wide consultations on prosperity. Those consultations, aimed at increasing everyone's awareness of the critical importance of our ability to compete effectively internationally, clearly illustrate the need to continually improve on all fronts: in education, training, technology, research and development, manufacturing and services.

As in the past, exports will be at the leading edge of the resurgence of our economy. Historically they have proven to be a reliable engine of growth and employment that is even more critical today in this era of increasing globalization and interdependence.

Canadian exporters have shown remarkable resilience during this difficult period, maintaining and even acquiring market share, despite a deeper and longer than anticipated North American recession that saw corporate profits collapse to less than 20 percent of their 1989 levels.

The Export Development Corporation understands the tremendous challenges facing Canadian exporters in these turbulent times and is committed to helping exporters succeed. The support we contribute, which includes competitive export financing, foreign investment insurance, loan and bond guarantees, and credit insurance, is an essential element of any firm's successful trade strategy. We are mindful that our products and services are often critical to penetrating new markets, and that they must be flexible, timely, competitive and responsive to customers' needs. That is why we are committed to continually improving them so we will better help both large and small exporters compete more effectively.

Message du président du Conseil et du président

La SEE et ses clients oeuvrent dans un monde en très rapide évolution. La mondialisation des échanges rend les pays de plus en plus dépendants les uns des autres sur le plan économique. Les frontières entre marchés intérieurs et internationaux ont tendance à se dissiper — tant pour les consommateurs, les producteurs et les fournisseurs que pour les gouvernements. En outre, alors que la concurrence se fait de plus en plus vive à l'échelle internationale, les échanges commerciaux eux-mêmes subissent de plein fouet les changements dans les attitudes de consommation, la technologie, les flux de marchandises et des investissements étrangers, ainsi que l'émergence d'entreprises mondiales.

D'autres facteurs ne font qu'accroître le rythme et la nature du changement que subit le milieu international des affaires, de même que l'incertitude qui entoure les activités du commerce international. Au nombre de ces facteurs, on peut relever, premièrement, les bouleversements que traversent l'Europe centrale et les États de l'ancienne URSS, exposés aux affres de la transition d'une économie marxiste planifiée à celle de républiques soumises aux lois du marché; deuxièmement, l'expansion de la Communauté européenne, à laquelle adhèrent de nouveaux pays européens et qui, parallèlement, vise une plus forte intégration d'ici à la fin de 1992; et troisièmement, l'incertitude qui entoure les conclusions de l'Uruguay Round des négociations du GATT, ainsi que, plus près de chez nous, les conclusions des négociations que mènent le Canada, les États-Unis et le Mexique relativement à l'accord de libre-échange nord-américain.

C'est sur cette toile de fond que le gouvernement fédéral a lancé sa consultation nationale sur la prospérité. Il vise, ce faisant, à accroître la perception qu'ont l'ensemble de nos concitoyens de l'importance capitale que revêt notre capacité de soutenir efficacement la concurrence internationale et le besoin d'une amélioration ininterrompue sur chacun des fronts de l'éducation, de la formation, de la technologie, de la recherche et du développement, de l'industrie et des services.

Tout comme par le passé, les exportations représenteront le fer de lance de la reprise de notre économie. Elles ont constitué, de tout temps, la locomotive de la croissance et de la relance de l'emploi et jouent, plus que jamais, un rôle crucial à cette époque de mondialisation et d'interdépendance croissantes.

Les exportateurs canadiens ont fait preuve d'une remarquable capacité d'adaptation tout au long de cette période difficile, en maintenant et même en élargissant leur part du marché et ce, en dépit d'une récession nord-améri-

EDC has adopted two important long-term strategies to help exporters succeed in a more competitive world. First, the Corporation is committed to customer satisfaction through Total Quality Management. Second, we are determined to enhance the Corporation's capital base in order to provide our exporters with still better internationally competitive financial services.

The drive towards quality and customer satisfaction has caused us to change both our thinking and our business strategy. We are now focusing the bulk of our efforts on customer needs. We are consulting much more extensively with our customers in order to better understand both their priorities and their needs. We are re-examining our own products and services with a view to simplifying them and streamlining, where possible, the application and reporting requirements.

By following a customer-first philosophy, EDC is working to provide quality products and services to improve the competitive position of Canadian exporters.

In 1991, EDC reported a profit of $32.7 million. Among the key contributing factors to this profit were significantly reduced interest costs on borrowing and the Government of Canada's participation in international agreements to provide debt relief to Poland and Egypt, which enabled these countries to resume servicing their respective debt obligations to EDC.

caine dont l'ampleur et la durée ont été plus importantes que prévu et qui a vu les marges bénéficiaires de certaines entreprises chuter à moins de 20 p. 100 de leur niveau de 1989.

La Société pour l'expansion des exportations est fort consciente des difficultés qu'éprouvent les exportateurs canadiens. Dans les conditions pénibles que nous connaissons, elle s'efforce d'aider les entreprises à atteindre leurs objectifs d'exportation. Par le biais de ses services concurrentiels de financement à l'exportation, d'assurance-investissement à l'étranger, de prêts, de garanties et d'assurance-crédit, la Société fournit en effet aux entreprises canadiennes les ingrédients essentiels de toute politique commerciale dont on peut espérer de bons résultats. Ses produits et services constituent même souvent l'élément indispensable dont ces entreprises ont besoin pour percer sur de nouveaux marchés. La Société s'efforce donc de les rendre souples, concurrentiels et adaptés aux besoins du client, et de les livrer en temps voulu. D'où son engagement à améliorer sans cesse ces produits et services, afin de mieux aider les exportateurs, grands et petits, à affronter la concurrence.

THE DRIVE TOWARDS QUALITY AND CUSTOMER SATISFACTION HAS CAUSED US TO CHANGE BOTH OUR THINKING AND OUR BUSINESS STRATEGY

Executive Committee Bob Van Ad Hammond, Gill Roger Pruneau, Ma Bakker Paul Labb Bill Musgrove

La SEE a adopté deux importantes stratégies à long terme pour aider les exportateurs à réussir dans un monde de plus en plus concurrentiel. Elle s'est d'abord engagée à assurer la satisfaction du client par le biais de la gestion globale de la qualité et également à renforcer son capital de base afin de pouvoir offrir aux exportateurs des services financiers concurrentiels encore plus compétitifs sur la scène internationale.

La recherche de l'excellence et de la satisfaction du client a incité la SEE à changer à la fois sa philosophie et sa stratégie commerciale. Elle a en effet décidé de faire porter tous ses efforts sur la satisfaction des besoins du client. Nous consultons beaucoup plus souvent nos clients, afin de mieux comprendre leurs priorités et leurs besoins. Et nous réexaminons nos propres produits et services en vue de les simplifier et de rationaliser, dans toute la mesure du possible, les exigences en matière de soumission de demandes et d'établissement des rapports.

LA RECHERCHE DE L'EXCELLENCE ET DE LA SATISFACTION DU CLIENT A INCITÉ LA SEE À CHANGER À LA FOIS SA PHILOSOPHIE ET SA STRATEGIE COMMERCIALE.

Le Comité de la ha direction De gauche droite : Bob Van Ade Glen Hammond, Gilles Ross, Roger Pruneau Martin Bakker, Paul Labbé et Bill Musgr

En mettant en oeuvre une philosophie axée sur le client, la SEE vise à offrir des produits et des services de qualité dans le but d'accroître la compétitivité des exportateurs canadiens.

En 1991, la SEE a affiché un bénéfice de 32,7 millions de dollars. Cette performance s'explique par plusieurs facteurs-clés, dont la réduction considérable des frais d'intérêt à l'égard de nos emprunts et la participation du gouvernement canadien à des accords internationaux d'allégement de la dette pour la Pologne et l'Égypte, ce qui a permis à ces deux pays de recommencer à s'acquitter de leurs obligations envers la SEE.

Le bénéfice réalisé en 1991, de même que celui que la SEE s'efforcera de réaliser à l'avenir, permettront à la Société de rétablir son capital de base, qui avait été réduit en 1989 lorsqu'elle avait procédé à un virement exceptionnel de 200 millions de dollars, prélevés sur ses bénéfices non répartis, à sa provision pour pertes sur prêts.

The 1991 profit, as well as future profits, will help rebuild the Corporation's capital base, which was depleted in 1989 when the Corporation made a special one-time transfer of $200 million from retained earnings to supplement its loan loss provision.

We firmly believe that a productive and lasting relationship with exporters is best served by a financially strong and customer-focused Corporation.

EDC's 1991 business results are dealt with in greater detail in the Annual Report, but a few highlights deserve mention here. Notably, the $5.1 billion in export insurance coverage and the $1.4 billion in export financing were both record achievements. In addition, $337 million in lending and insurance was concluded under the Canada Account, the government-funded but EDC-managed export credit facility.

The record levels of achievement in 1991 would not have been possible without dedication on the part of EDC employees.

We would like to express our sincere appreciation to the Corporation's employees for their very impressive performance in 1991. In spite of the challenging times, their drive, commitment and talent have produced a record year for the Corporation. We take particular pride in the excellence and quality of our staff.

The Corporation is also fortunate to have an active and committed Board of Directors that has guided EDC through many challenges during the past year. We thank all of the members for their significant contribution. In 1991 we welcomed two new Directors, William Blundell and Bruce Sully, and we regretted very much the departure of William James and Noble Power who, during their tenure, were always sources of wise counsel.

Finally, we wish to pay special tribute to Robert Richardson who retired as President in 1991, after guiding EDC through five years of impressive success. Bob left us a tremendously important legacy — putting the customer first. It is a tribute to his vision that everyone at EDC has embraced his philosophy and remains committed, for 1992 and beyond, to developing the highest quality of customer service.

Maureen Sabia,
Chairman of the
Board of Directors

Paul Labbé,
President and
Chief Executive Officer

Nous sommes fermement convaincus que la bonne santé financière de la Société et l'adoption d'une vision axée sur le client constituent la clé de rapports productifs et durables avec les exportateurs.

Les résultats obtenus par la Société en 1991 sont examinés de façon plus approfondie dans le rapport annuel, mais certains points saillants valent la peine d'être mentionnés ici. Nous pensons en particulier au volume d'assurances à l'exportation de 5,1 milliards de dollars et au volume de financement à l'exportation de 1,4 milliard de dollars, qui constituent de nouveaux sommets pour la Société. Par ailleurs, des prêts et des assurances d'une valeur combinée de 337 millions de dollars ont été conclus sur le Compte du Canada, dont les fonds proviennent du gouvernement du Canada mais dont la gestion est assurée par la SEE.

Les performances exceptionnelles de l'exercice 1991 n'auraient pu être réalisées sans le dévouement des employés de la SEE. Nous voudrions donc profiter de l'occasion pour leur faire part de nos plus vifs remerciements. Leur performance, en 1991, a été exceptionnelle. Leur énergie, leur engagement et leur talent ont eu raison des défis posés et ont permis à la Société de réaliser le meilleur exercice de son histoire. L'excellence et la qualité de notre personnel sont pour nous la source d'une exceptionnelle fierté.

La Société s'estime également heureuse de disposer d'un Conseil d'administration dynamique et engagé, qui a su l'aider à relever les nombreux défis qui se sont posés au cours de l'exercice. Que l'ensemble des membres soient ici remerciés de leur précieuse contribution. Le Conseil a accueilli, en 1991, deux nouveaux membres, en les personnes de William Blundell et Bruce Sully, mais il a été au regret de voir partir William James et Noble Power qui, au cours de leur période de service, ont toujours été une source de conseils éclairés.

Nous désirons enfin rendre hommage à Robert Richardson, qui a quitté son poste de président l'an dernier. Son quinquennat a été marqué, pour la SEE, par une série d'impressionnantes réussites. Bob nous a laissé un héritage d'une valeur inestimable : le principe qu'il fallait penser avant tout au client. La Société rend hommage à sa vision par le fait même que tous ses membres ont adopté son optique et demeurent engagés, pour 1992 et au-delà, envers l'idéal de la plus haute qualité possible de service à la clientèle.

Le Président du
Conseil d'administration,

Maureen Sabia

Le Président et
Chef de la direction,

Paul Labbé

The Export Environment

Canada's prosperity heavily depends on export trade. Any changes, therefore, in the export environment directly affect both the economy and job prospects here at home. That is well illustrated by the recession in the United States and slow or stagnant growth in other industrialized countries, which have stifled export opportunities for Canadian companies.

Unfortunately, much of the external trade environment is beyond Canada's control. No single country shapes world economic events. Indeed, not even the United States, the European Community and Japan are powerful enough to stage-manage the global economy.

For the past 50 years, international attention has centred on eliminating formal barriers to trade and investment. Considerable progress has been made in this area. Recently, however, invisible trade barriers have been causing exporters great concern. It is vital that all trade barriers be minimized. Countries operate within a framework of multinational and regional agreements — such as the General Agreement on Tariffs and Trade (GATT) and the Free Trade Agreement (FTA) — to resolve economic conflict and liberalize trade.

Positioning Canada to compete more effectively within the evolving international trade structure is the single most important contribution the Government can make to Canada's long-term prosperity.

Positioning Canada to compete more effectively within the evolving international trade structure is the single most important contribution the Government can make to Canada's long-term prosperity. This is the rationale behind the FTA, GATT and North American free trade discussions.

All Canadian companies, including EDC, must sharpen their competitive skills to reverse the erosion of Canada's share of the world market. This requires looking well beyond the exchange rate of the Canadian dollar. It means focusing on improving productivity and reducing unit labour costs.

There is no simple solution to the competitiveness challenge; it involves the very foundation of Canada's economic structure.

EDC's Global Markets

As a partner in Canada's export community, EDC must help chart the course ahead. Working with exporters to improve their international competitiveness is a cornerstone of EDC's Corporate strategy.

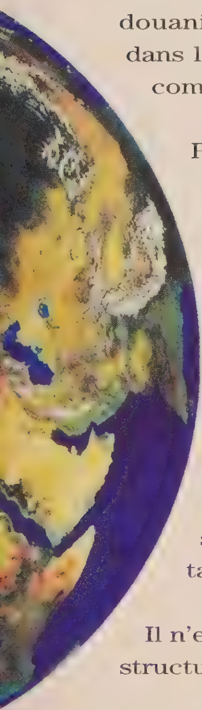
L'EXPORTATION DANS LE MONDE D'AUJOURD'HUI

La prospérité du Canada est fortement tributaire du commerce d'exportation. C'est pourquoi toute variation des conditions dans lesquelles s'effectuent les exportations se reflète directement sur son économie et sur les perspectives d'emploi. À preuve, la récession qui frappe les États-Unis et la croissance faible ou même stagnante qu'enregistrent les autres pays industrialisés ont entraîné une diminution des débouchés qui s'offrent aux exportateurs canadiens.

Malheureusement, une bonne partie des conditions inhérentes au commerce extérieur échappe à la volonté du Canada. Aucun pays ne peut d'ailleurs prétendre infléchir à lui seul les grands courants de l'économie mondiale et même la Triade (États-Unis, Japon et Europe) ne peut exercer d'influence prépondérante à ce niveau.

Depuis une cinquantaine d'années, l'accent a été mis sur l'élimination des obstacles conventionnels aux échanges commerciaux et aux investissements, et des progrès considérables ont été réalisés dans ce domaine. Toutefois, les obstacles non officiels se sont révélés, dernièrement, une source de préoccupation pour les exportateurs. Les pays concluent des accords d'une portée multinationale ou régionale — comme l'Accord général sur les tarifs douaniers et le commerce (GATT) et l'Accord de libre-échange (ALÉ) — dans le but de régler les conflits économiques et de libéraliser les échanges commerciaux.

POSITIONNER LE CANADA DE SORTE QU'IL ÉVOLUE AVEC EFFICACITÉ DANS LA STRUCTURE SANS CESSE CHANGEANTE DES ÉCHANGES COMMERCIAUX, VOILÀ LA CONTRIBUTION LA PLUS IMPORTANTE QUE LE GOUVERNEMENT PEUT APPORTER À NOTRE PROSPÉRITÉ À LONG TERME.



Positionner le Canada de sorte qu'il évolue avec efficacité dans la structure sans cesse changeante des échanges commerciaux, voilà la contribution la plus importante que le gouvernement peut apporter à notre prospérité à long terme. C'est ce principe qui a guidé les négociations sur l'ALÉ et le GATT, et celles qui portent sur le libre-échange pour l'ensemble de l'Amérique du Nord.

Toutes les entreprises canadiennes, y compris la SEE, doivent accroître leurs aptitudes compétitives pour que soit inversée l'érosion de la part du marché mondial qu'occupe le Canada. Pour ce faire, elles ne doivent pas limiter leur perspective au taux de change du dollar canadien. Elles doivent, au contraire, porter leur attention sur les moyens d'accroître leur productivité et de réduire les coûts unitaires de la main-d'oeuvre.

Il n'existe pas de solution magique au défi de la compétitivité, qui touche la structure même de notre économie.

La SEE et la mondialisation des marchés
À titre de partenaire des exportateurs canadiens, la SEE doit contribuer à tracer la voie qui sera suivie. Aider l'exportateur pour améliorer sa compétitivité internationale constitue, dans cette optique, un élément primordial de la stratégie générale de la Société.

EDC's insurance and financing programs can significantly help exporters to both compete in the global marketplace and financially manage export transactions. Export credit insurance coverage is available in more than 150 export markets, where the risks are continually being monitored and assessed by EDC.

Implementation of the Free Trade Agreement secured better access to the U.S. market for Canadian exporters. Unfortunately, this coincided with a recession in both the U.S and Canada. As a result, credit risk in the U.S. market skyrocketed. Indeed, 90 percent of EDC claims in 1991 resulted from U.S. commercial risk.

Exporters recognize the growth opportunities that exist in Mexico and thus support a North American Free Trade Agreement (NAFTA). For years, EDC has been active in the Mexican market, offering both insurance and financing services. Twelve lines of credit are now in place, with more planned for 1992.

In select markets elsewhere in Latin America, notably Venezuela and Chile, EDC is supporting Canadian exporters by establishing several lines of credit and by providing a variety of export credit and foreign investment insurance facilities.

WORKING WITH EXPORTERS TO IMPROVE THEIR INTERNATIONAL COMPETITIVENESS IS A CORNERSTONE OF EDC'S CORPORATE STRATEGY.

The establishment of a single European market in the 1990s holds great promise for Canadian exporters. In the European aerospace industry, for example, the large investment requirements of manufacturers mean that they look to their suppliers to risk-share. EDC is assisting Canadian suppliers by providing the structured financing and credit enhancements that European buyers want. As well, EDC continues to see strong demand for credit insurance in the Western European market.

Within a reconfigured Central Europe, EDC sees Hungary and Czechoslovakia as well placed to make the transition to market economies. A number of lines of credit have been established in these countries that are proving to be popular financing tools. Short-term credit insurance also is available for certain types of transactions.

In other markets of Central Europe, EDC — on behalf of the Government of Canada — is exploring ways to provide financing support by focusing on establishing lines of credit with the new governments and their agencies.

EDC continues to recognize the growing economic importance of the Asia/Pacific market. Countries like Thailand hold significant promise for Canadian exports. EDC's ability to coordinate its financing and insurance packages in the private and public sectors will prove invaluable to exporters seeking to benefit from this region's strong economic growth.

Les programmes d'assurance et de financement de la SEE peuvent réellement aider les exportateurs à mieux se positionner sur les marchés mondiaux et à mieux gérer leurs transactions à l'exportation sur le plan financier. L'assurance-crédit est offerte sur plus de 150 marchés d'exportation, où la SEE évalue et surveille sans cesse les risques.

L'entrée en vigueur de l'Accord de libre-échange a facilité l'accès des exportateurs canadiens au marché américain. Malheureusement, elle a aussi coïncidé avec une récession frappant les États-Unis et le Canada. Il en est alors résulté une flambée des risques de crédit aux États-Unis : en 1991, au-delà de 90 p. 100 des sinistres réglés par la SEE étaient liés à des risques commerciaux survenus aux États-Unis.

Les exportateurs perçoivent des possibilités de croissance semblables au Mexique, ce qui les porte à appuyer les efforts devant mener à un accord de libre-échange pour l'ensemble du continent nord-américain. Depuis des années, la SEE est présente sur le marché mexicain, où elle offre des services d'assurance et de financement. Une douzaine de lignes de crédit y sont en place, et leur nombre devrait augmenter en 1992.

AIDER L'EXPORTATEUR POUR AMÉLIORER SA COMPÉTITIVITÉ INTERNATIONALE CONSTITUE UN ÉLÉMENT PRIMORDIAL DE LA STRATÉGIE GÉNÉRALE DE LA SOCIÉTÉ.

En ce qui concerne certains marchés de l'Amérique latine, notamment le Venezuela et le Chili, la SEE y appuie les exportateurs canadiens par le biais de plusieurs lignes de crédit et de toute une gamme de mécanismes d'assurance-investissement à l'étranger et d'assurance-crédit à l'exportation.

L'unification du marché européen dans les années 90 offrira d'excellentes perspectives aux exportateurs canadiens. Dans le cas de l'industrie aérospatiale européenne, par exemple, en raison des vastes investissements requis, les fabricants se tournent vers leurs fournisseurs pour partager les risques. La SEE aide les fournisseurs canadiens en offrant les crédits et les mécanismes améliorés de financement dont les acheteurs européens ont besoin. Elle envisage également une forte demande d'assurance-crédit sur le marché ouest-européen.

Dans le contexte d'une Europe centrale en voie de restructuration, la SEE estime que la Hongrie et la Tchécoslovaquie sont bien placées pour effectuer la transition vers une économie de marché, ce qui l'a incitée à y établir un certain nombre de lignes de crédit; ces outils de financement y font l'objet d'une forte demande. L'assurance-crédit à court terme y est également offerte pour certains types de transactions.

Sur d'autres marchés d'Europe centrale, la SEE explore, au nom du gouvernement du Canada, des moyens d'offrir du financement en établissant des lignes de crédit avec les nouveaux gouvernements et leurs agences.

La SEE demeure consciente de l'importance économique croissante du marché Asie-Pacifique. Certains des pays concernés, comme la Thaïlande, offrent d'intéressants débouchés aux exportateurs canadiens. La capacité de la SEE de coordonner des montages financiers dans les secteurs tant privé que public sera d'une aide précieuse pour ces exportateurs.

Customers Mean the World to Us

As a key player on Canada's export team, EDC's financial products and services are important components of an aggressive, competitive and successful export strategy.

To better understand the challenges and concerns of Canadian exporters, EDC participates in various trade shows, seminars and conferences, and sponsors "Let's Talk Risk" workshops across the country. These activities allow both EDC and exporters to exchange research, analysis and experience about the export environment. This interaction helps EDC design more effective financial products and services.

Insurance and Financing Services Help Exporters Compete in the Global Marketplace.

Richard Leroux (right), Account Manager — Sales, BELOIT CANADA LTD., Sorel, Québec and Pierre Beauchamp (second to right), Beloit Canada's Director of Finance meet with EDC's Harold Riley (left) and Ghislain Giroux.

Les services d'assurance et de financement aident les exportateurs à mieux se positionner sur les marchés mondiaux.

Richard Leroux (à droite), directeur de comptes — Ventes, BELOIT CANADA LTÉE. à Sorel (Québec), et Pierre Beauchamp (deuxième à droite) directeur des Finances de Beloit Canada en compagnie de Harold Riley (à gauche) et de Ghislain Giroux de la SEE.

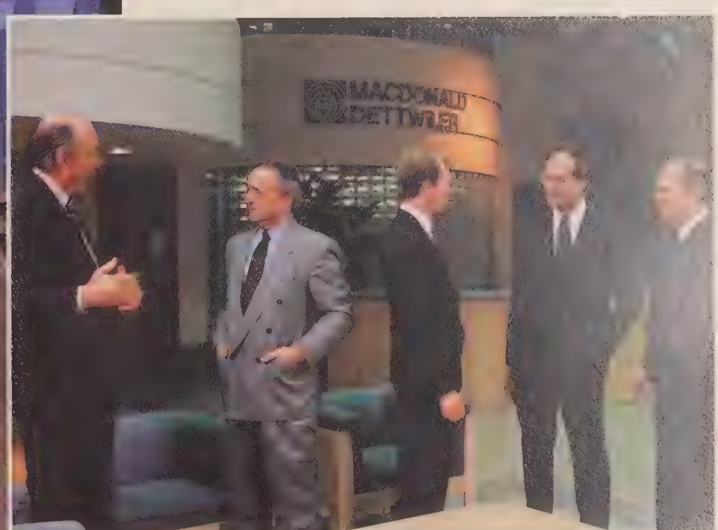
NOS CLIENTS, LE CENTRE DE NOTRE UNIVERS

À titre d'intervenant dans le milieu canadien de l'exportation, la SEE offre des produits et services financiers qui font partie intégrante d'une stratégie d'exportation dynamique, concurrentielle et réussie.

Afin de mieux comprendre les besoins des exportateurs canadiens et les défis auxquels ils font face, la SEE prend part à diverses foires commerciales, à des séminaires et à des conférences, et offre ses ateliers «Parlons risques» dans l'ensemble du pays. Ces activités permettent à la SEE et aux exportateurs d'échanger les fruits de leurs recherches et de leurs analyses des marchés d'exportation, ainsi que l'expérience pratique qu'ils en ont tirée. Ces échanges aident en outre la SEE à accroître l'efficacité de ses produits et services financiers.

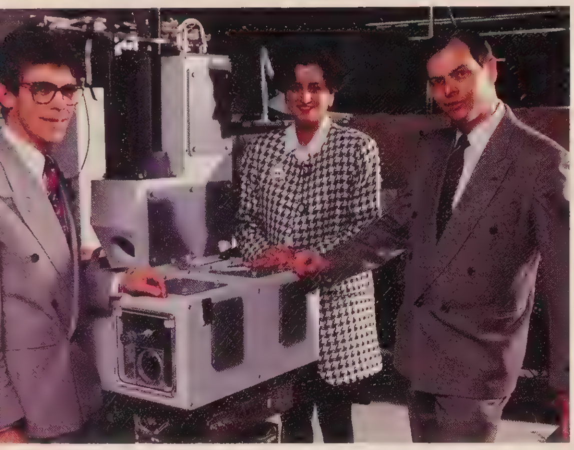
IT'S POSSIBLE TO EXPORT COMPETITIVELY WHILE PROTECTING THE BOTTOM LINE

IL EST POSSIBLE D'EXPORTER DE FACON CONCURRENTIELLE TOUT EN PROTEGEANT SON RESULTAT NET



Managing Risk With Export Insurance

The export environment is fraught with risk: the risk of not being paid by a foreign buyer; the risk of losing control of a foreign investment; the risk of having an export contract frustrated after the goods are produced; and the risk of having a call made on a guarantee or performance bond.



Global Comprehensive Insurance Covers All of an Exporter's Sales to All Markets.
(l to r) Jean-Yves Roy, Director of Finance, BOMEM INC., Québec City, tours plant with EDC's Marie-Claude Rousseau and Luc Brissette

L'assurance globale multirisque protège toutes les ventes que l'exportateur réalise sur tous les marchés où il est présent.
De gauche à droite : Jean-Yves Roy, directeur des Finances de BOMEM INC. à Québec, visite l'usine en compagnie de Marie-Claude Rousseau et de Luc Brissette, de la SEE.

These risks should not stop exporters from capitalizing on opportunities. Risk can be managed with a variety of EDC export credit insurance services that protect against loss.

There are added benefits associated with EDC insurance. Banks, for example, may accept EDC-backed export receivables as collateral to boost operating lines of credit. As well, a credit insurance policy encourages banks to "discount" export receivables when cash flow is tight.

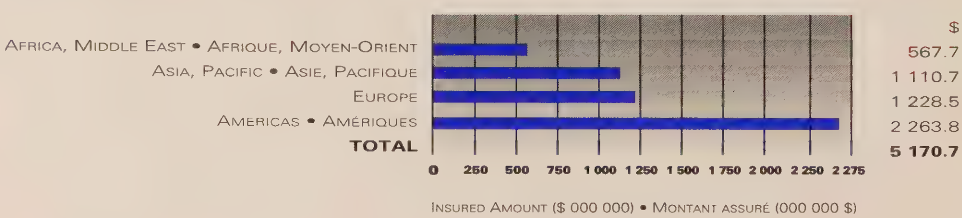
But the major advantage of export insurance is "peace of mind" — the assurance that comes with knowing it's possible to export competitively while protecting the bottom line. Increasingly conscious of the importance of risk management, Canadian exporters' demand for EDC export insurance has never been greater.

In 1991, EDC's total insured export volume exceeded $5 billion. Recessions in many developed countries, which dramatically increased credit risks in those markets, were just one of the factors behind the increased demand for coverage.

Insuring Short-Term Transactions
To be responsive to customers, EDC puts a strong emphasis on improving efficiency in the underwriting and credit analysis functions of Short-Term Insurance. This program covers export trade on payment terms of up to 180 days.

Global Comprehensive Insurance covers all of an exporter's sales to all markets. The 1991 insured volume under the program reached $3.2 billion.

Export Insurance By Geographic Area
Assurances à l'exportation par région géographique



La gestion des risques grâce aux assurances à l'exportation

Qui dit exportation dit risques : le risque de ne pas être payé par l'acheteur étranger; le risque de perdre la maîtrise de ses investissements à l'étranger; le risque de voir un contrat à l'exportation impossible à exécuter une fois que les biens sont produits, mais avant qu'ils ne soient expédiés; ou le risque d'appel d'une garantie ou d'une caution de bonne fin.

Ces risques ne doivent cependant pas empêcher les exportateurs de miser sur les débouchés qui s'offrent à eux. Il est en effet possible de les gérer efficacement grâce à la gamme des services d'assurance-crédit à l'exportation de la SEE, qui offrent une protection contre les sinistres.

A MAJOR ADVANTAGE OF EXPORT INSURANCE IS "PEACE OF MIND."

... cont... TAPE ... Ont., wit... McCourt and Eliz... Burnet

Les assurances offertes par la SEE comportent d'autres avantages. C'est ainsi que les banques peuvent accepter les créances à l'exportation assurées par la SEE comme nantissement pour augmenter les lignes de crédit établies au titre de fonds de roulement. En outre, l'établissement d'une police d'assurance-crédit incite les banques à acheter, ou «escompter», les créances à l'exportation en cas de resserrement du crédit.

UN AVANTAGE IMPORTANT DE L'ASSURANCE À L'EXPORTATION EST LA «TRANQUILLITÉ D'ESPRIT».

Kim Fitzgerald (au centre), contrôleur de RENFREW TAPE LIMITED à Renfrew (Ontario), en compagnie de Howard McCourt et d'Elizabeth Burnet, de la SEE

Mais le principal avantage de l'assurance à l'exportation est la tranquillité d'esprit : celle que donne la certitude de pouvoir exporter de façon concurrentielle tout en protégeant son résultat net. Les exportateurs canadiens, de plus en plus conscients de l'importance d'une saine gestion des risques, n'ont jamais soumis autant de demandes d'assurance à l'exportation à la SEE.

En 1991, le volume des exportations assurées par la SEE a franchi le cap des 5 milliards de dollars. La récession qui frappe de nombreux pays industrialisés, dont l'effet a été d'entraîner une hausse très sensible des risques de crédit sur ces marchés, n'est que l'un des facteurs à l'origine de cette demande accrue.

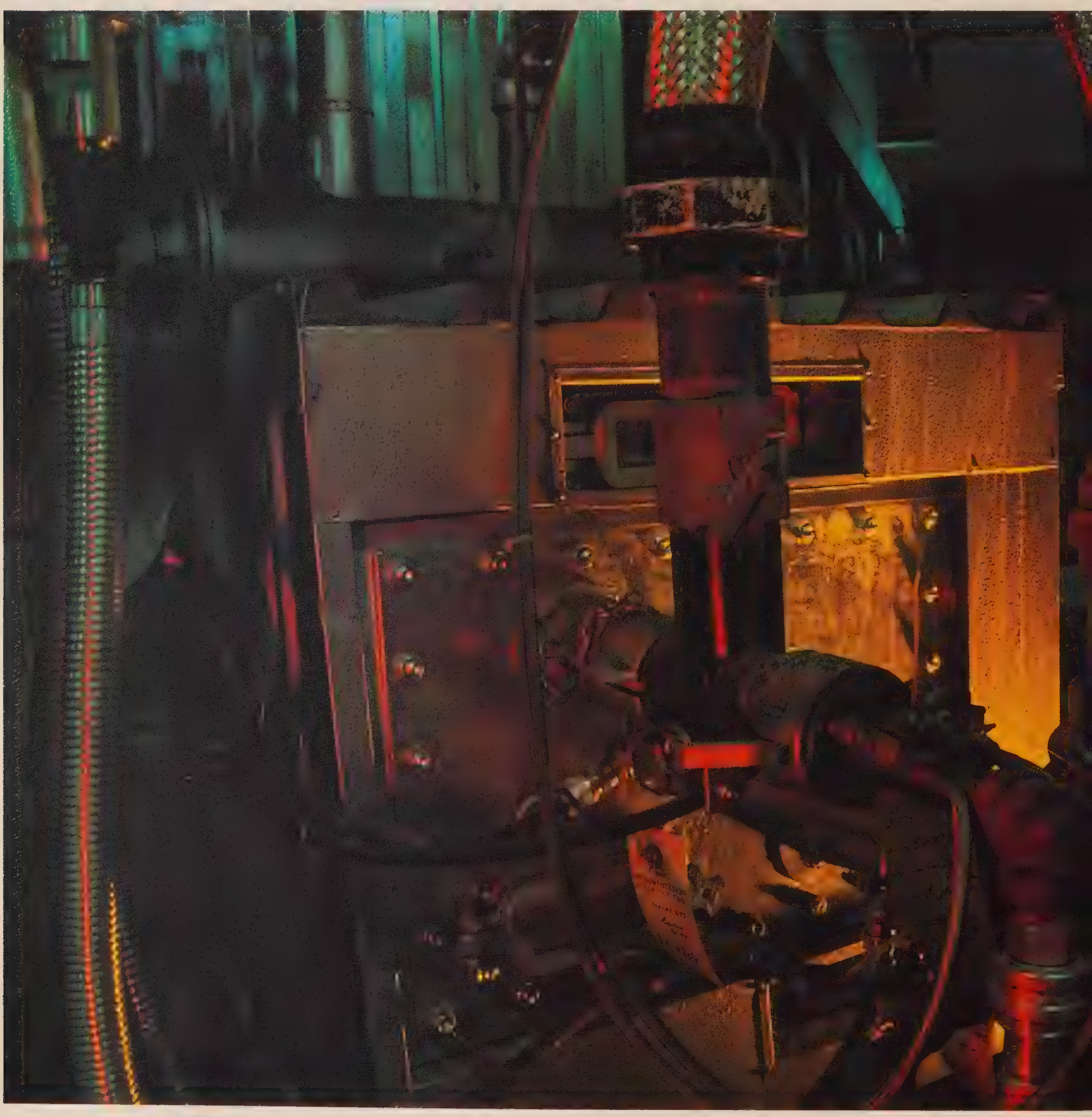
Assurer les transactions à court terme

Soucieuse de mieux répondre aux besoins de ses clients, la Société s'efforce d'accroître l'efficacité de ses fonctions de souscription et d'analyse du crédit dans le cadre de son programme d'assurances à court terme, qui vise les transactions à l'exportation assorties d'une période de crédit pouvant aller jusqu'à 180 jours.

L'assurance globale multirisque protège toutes les ventes que l'exportateur réalise sur tous les marchés où il exporte. Le volume assuré en 1991 en vertu

EDC is continually looking at ways to offer more flexibility under this program to better meet client needs.

EDC recognizes the importance of small business with policies tailored to meet its special needs. Indeed, EDC saw an increase of more than 30 percent in policyholders from 650 in 1990 to 861 in 1991. Insured volumes under small business policies increased to $178.8 million.



de ce programme a atteint 3,2 milliards de dollars; la SEE cherche régulièrement à l'assouplir davantage pour mieux répondre aux besoins de ses clients.

Reconnaissant l'importance de la petite entreprise, la SEE lui offre des polices d'assurance à l'exportation conçues pour répondre à ses besoins. La Société a de ce fait enregistré une hausse de plus de 30 p. 100 du nombre de titulaires de polices, qui est passé de 650 en 1990 à 861 en 1991. Les volumes d'affaires assurés en vertu des polices pour petites entreprises sont par ailleurs passés à 178,8 millions de dollars.

Collaborer avec les banques canadiennes

Le commerce d'exportation du Canada est financé à court terme dans une proportion de plus de 90 p. 100, en partie par des banques internationales ayant recours aux crédits documentaires. À mesure que les marchés présentent des risques plus élevés, la SEE peut accroître la capacité des institutions financières canadiennes pour appuyer ces crédits.

Par l'intermédiaire des banques canadiennes et en vertu du programme d'assurance-crédits documentaires, la SEE a appuyé des transactions d'une valeur supérieure à 150 millions de dollars. Ces exportations, réalisées par 80 entreprises canadiennes, étaient destinées à 34 pays, l'Algérie, le Mexique et l'Inde étant les trois principales destinations en termes de volume assuré. Dans l'ensemble, il y a eu une hausse de 87 p. 100 du volume assuré.

Un produit d'une importance croissante pour les exportateurs canadiens de produits agricoles est l'assurance-crédit pour les produits agricoles en vrac. Déterminée à ce que les exportateurs canadiens ne perdent pas de ventes de produits agricoles à cause

EXPORT RISKS SHOULD NOT STOP CANADIAN COMPANIES FROM CAPITALIZING ON TRADE OPPORTUNITIES.

[illegible]

LES RISQUES INHÉRENTS AUX EXPORTATIONS NE DOIVENT PAS EMPÊCHER LES ENTREPRISES CANADIENNES DE MISER SUR LES DEBOUCHÉS QUI S'OFFRENT À ELLES.

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Working With Canadian Banks

More than 90 percent of Canada's export trade is conducted on short-term credit. A portion of this is handled by international banks using documentary credits. As market conditions become riskier, EDC can increase Canadian financial institutions' capacity to provide confirmations on these credits.

EDC Recognizes the Importance of Small Business With Policies Tailored to Meet its Special Needs.

Damian Lee (right), President and Producer, ROSE AND RUBY PRODUCTIONS INC., Toronto, at the filming of "Baby on Board" with EDC's Bill Clements (centre) and (l to r) Ron Weiss, Music Composer; Henry Less, Executive Producer; and Helder Goncalves Production Manager

Through Canadian banks, with Documentary Credits Insurance, EDC supported more than $150 million in transactions involving 80 Canadian companies. Exports were destined for 34 foreign countries, with Algeria, Mexico and India representing the top three countries in terms of insured volume. Overall, there was an 87 percent increase in insured volumes.

A product of growing importance to Canadian exporters of agricultural commodities, is Bulk Agricultural Credits Insurance. EDC is determined that Canadian exporters not lose agricultural sales as a result of extended credit terms offered by other countries. Both short-term coverage up to 360 days and medium-term guarantees up to three years if there is official competition, are available to support exports of bulk agricultural products.

In 1991, these Bulk Agricultural Insurance programs provided for export sales of $352 million to 16 markets, including Iran, Algeria, Mexico, Pakistan and Colombia. Grain sales figured prominently, but sales of dairy products and specialty crops also benefitted.

Tailoring Coverage to Medium-Term Risks

Some selected transactions and project-related contracts involve credit terms exceeding the six months normally associated with short-term coverage. EDC provides credit-risk insurance on these types of export contracts under its Specific Transaction and Guarantee programs.

Cover for political and commercial risk is tailored to the exporter's needs and the specific nature of the deal. In 1991, EDC insured more than $690 million under Medium-Term Insurance programs. Recently insured transactions included pulp mill equipment in China, gas pipeline booster packages in Iran, and telecommunications equipment in the Philippines.

des périodes de crédit prolongées offertes par d'autres pays, la SEE offre une couverture à court terme jusqu'à 360 jours et des garanties à moyen terme jusqu'à trois ans en cas de concurrence internationale.

En 1991, la SEE a appuyé, en vertu de ces programmes d'assurance-crédit pour les produits agricoles en vrac, des ventes à l'exportation d'une valeur de 352 millions de dollars réalisées sur 16 marchés, dont l'Iran, l'Algérie, le Mexique, le Pakistan et la Colombie. Les ventes de céréales y figuraient en tête de liste, mais les ventes de produits laitiers et de cultures spéciales en ont également bénéficié.

Reconnaissant l'importance de petite entreprise, la SEE lui offre des polices d'assurance à l'exportation conçues pour répondre à ses besoins particuliers.

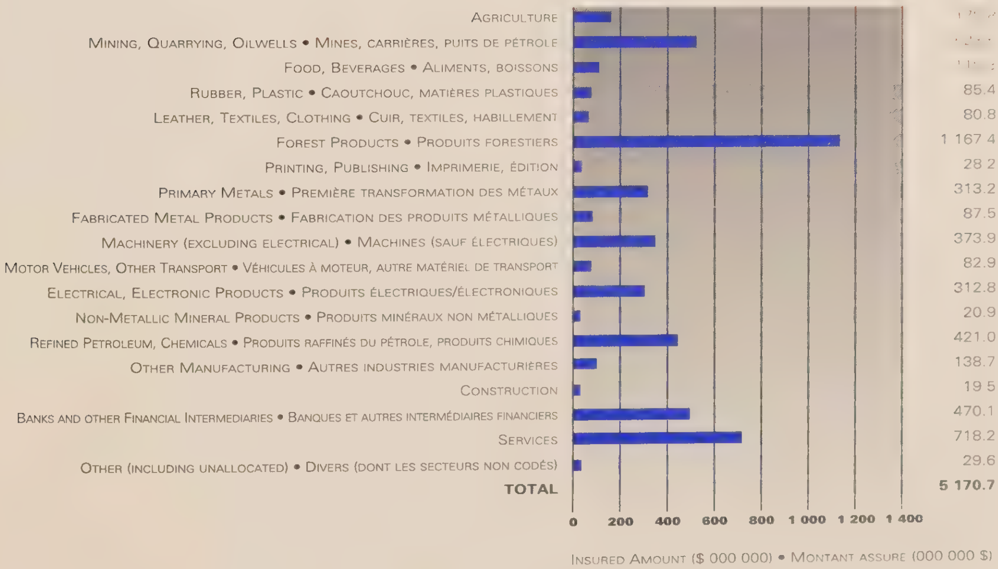
Protection sur mesure contre les risques à moyen terme

Il arrive que des transactions et des contrats relatifs à des projets particuliers comportent des périodes de crédit supérieures à la durée habituelle de six mois qui correspond à la couverture à court terme. La SEE offre une protection contre les risques en matière de crédit à l'égard de ces contrats à l'exportation grâce à ses programmes d'assurance-opération individuelle et de garanties-opération individuelle.

La protection contre les risques politiques et commerciaux est conçue en fonction des besoins de l'exportateur et de la nature de la transaction. À ce titre, la SEE a assuré des contrats de plus de 690 millions de dollars en 1991. Parmi les transactions récemment assurées, notons les ventes de matériel destiné à une usine de pâtes en Chine, de stations de compression pour gazoducs en Iran et de matériel de télécommunications aux Philippines.

Export Insurance By Industrial Sector

Assurances à l'exportation par secteur industriel



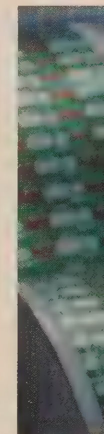
EDC also provides protection for exporters against calls on performance-related instruments. Performance Security Insurance and Guarantee programs are a key factor in managing these risks, and in complementing exporters' banking and surety bond arrangements.

Insurance for Foreign Investment

Exporters investing overseas or undertaking joint ventures outside Canada can take advantage of Foreign Investment Insurance. This product protects them against the risk of war or revolution, expropriation, and inconvertibility of capital and earnings. The political events of 1991 demonstrate the value Foreign Investment Insurance can bring to international projects. Insured volumes totalled $530 million in 1991.

The most active sectors for EDC Foreign Investment coverage continued to be mining, hotel development, oil and gas exploration and development, and food processing. There was strong demand for coverage in Latin America and Asia, with significantly increased interest in Central Europe and the new Commonwealth of Independent States.

EDC is expanding its reinsurance capacity to accommodate Canadian investors with the maximum possible coverage. By working with other export credit agencies and organizations such as the Multilateral Investment Guarantee Agency (MIGA), EDC can arrange significantly more coverage for Canadian investors than might otherwise be possible.



Weathering a Loss

EDC customers purchase export insurance coverage for one simple reason: to cover losses should payment problems occur. In international trade, even when all precautions are taken, the unforeseeable can happen. This can lead to serious financial difficulties for exporters. Timely payment of a claim by EDC helps exporters weather the storm.

In 1991, EDC played a significant role in protecting Canadian business against export-related debts. During the year, 373 claim applications for 28 countries were approved. More than $13 million was paid to Canadian firms.

EDC Offers Flexible Financial Services Designed to Meet Changing Customer Needs.

Ted Bilyea (left), Vice-President and General Manager, MAPLE LEAF FOODS INC., International Trade Division, Toronto, in the company's trading room with EDC's Richard McCorkindale

La SEE offre des services financiers souples pour mieux répondre aux besoins changeants de ses clients.

Ted Bilyea (à gauche), vice-président et directeur général de LES ALIMENTS MAPLE LEAF INC., Division du commerce international, à Toronto, dans la salle d'arbitrage de l'entreprise en compagnie de Richard McCorkindale de la SEE

La SEE offre également aux exportateurs une protection contre les risques d'appel d'instruments de bonne fin. Les programmes d'assurance-caution de bonne fin et de garanties-cautions de bonne fin constituent un facteur-clé de la gestion de ces risques, ainsi qu'un complément des montages bancaires et des cautionnements de l'exportateur.

Assurance-investissement à l'étranger

Les exportateurs canadiens qui investissent à l'étranger ou qui lancent des entreprises conjointes à l'extérieur du pays peuvent souscrire une assurance-investissement à l'étranger pour se protéger contre les risques de guerre ou de révolution, d'expropriation et de la non-convertibilité de leurs investissements et de leurs bénéfices réalisés à l'étranger. Les événements politiques qui se sont produits en 1991 montrent bien à quel point les projets internationaux peuvent bénéficier de cette assurance. Au total, des investissements de 530 millions de dollars ont été assurés en 1991.

EDC Saw an Increase of More Than 30 Percent in Small Business Policyholders.

La SEE a enregistré une hausse supérieure à 30 p. 100 du nombre de titulaires de polices pour petites entreprises.

SHORT-TERM INSURANCE VOLUME REACHED $3.2 BILLION IN 1991.

Bill Colpitts (left), Vice-President & Controller of DRESSER-RAND CANADA INC., Lethbridge, Alberta, confers with EDC's Jim Christie

LE VOLUME DES ASSURANCES À COURT TERME A ATTEINT 3,2 MILLIARDS DE DOLLARS EN 1991.

Bill Colpitts (à gauche), vice-président et contrôleur de DRESSER-RAND CANADA INC. à Lethbridge (Alberta), discute avec Jim Christie, de la SEE

Les secteurs d'activité où la SEE offre le plus fréquemment son assurance-investissement à l'étranger demeurent l'exploitation minière, la construction hôtelière, la prospection et la mise en valeur du pétrole et du gaz naturel ainsi que la transformation des aliments. La demande de protection en vertu de cette assurance est restée forte pour l'Amérique latine et l'Asie, avec une hausse marquée en Europe centrale et dans la nouvelle Communauté des États indépendants.

La SEE améliore sa capacité de réassurance pour offrir aux investisseurs canadiens la meilleure protection possible. La coopération avec d'autres organismes de crédit à l'exportation et d'autres institutions, comme l'Agence multilatérale de garantie des investissements (AMGI), lui permet d'accroître sensiblement la couverture disponible, ce dont les investisseurs canadiens ne pourraient pas bénéficier dans d'autres circonstances.

TIMELY PAYM[illegible] A CLAIM BY ED[illegible] HELPS EXPOR[illegible] WEATHER THE STORM.

Surmonter les sinistres

Les clients de la SEE souscrivent des polices d'assurance à l'exportation pour une raison bien simple : compenser les sinistres en cas de problèmes de règlement. Dans le monde du commerce international, même si toutes les précautions ont été prises, l'imprévu peut survenir, ce qui risque de causer de sérieuses difficultés financières à l'exportateur. Le versement d'indemnités en temps opportun par la SEE aide les exportateurs à traverser les passages critiques.

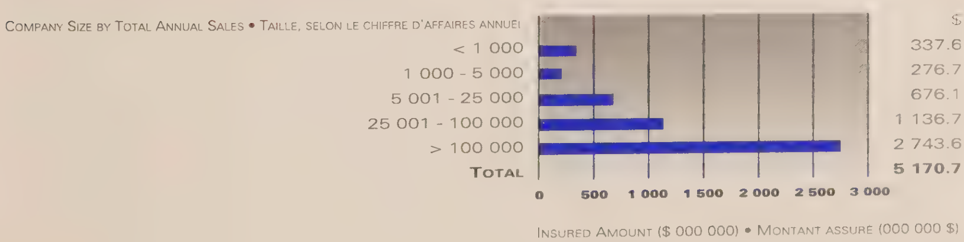
En 1991, la SEE a joué un rôle important dans la protection des entreprises canadiennes contre les sinistres d'exportation. Au cours de cet exercice, 373 demandes d'indemnisation correspondant à 28 pays ont été approuvées, et au-delà de 13 millions de dollars ont été versés aux entreprises canadiennes.

LE VERSEMENT D[illegible] DEMNITÉS EN TEMPS OPPORTUN PAR [illegible] SEE AIDE LES EXPORTATEURS À TRAVERSER LES PASSAGES CRITIQUES.

Bob Evans (au [illegible] vice-pr[illegible]

EXPORT INSURANCE BY SIZE OF COMPANY ($ 000)

ASSURANCES À L'EXPORTATION SELON LA TAILLE DE L'ENTREPRISE (000 $)



THE WORLD OF INTERNATIONAL LENDING

Whether it be a sale of airplane components to the Netherlands, a water diversion project in Venezuela, or knowledge-based services to Algeria's oil sector, financing international trade is becoming increasingly complex.

As a result of aggressive marketing by Canadian exporters, EDC registered a 13 percent increase in overall signings volume to $1.69 billion in 1991. This marked the fifth consecutive year of rising export financing support.

Financing volume included more than $240 million in concessional and non-concessional loans under the Canada Account, which EDC administers on behalf of the Government of Canada.

More than 115 exporters and 7,600 of their suppliers benefitted from EDC's export financing services in 1991. In continuing our support for smaller transactions and smaller exporters, approximately 75 percent of the transactions financed in 1991 involved amounts under $5 million, while approximately 20 percent involved exporters with annual sales under that same amount.

MORE THAN 115 EXPORTERS AND 7,600 SUPPLIERS BENEFITTED FROM EDC'S FINANCING SERVICES IN 1991.

Joe Ng (centre), President, JOE NG ENGINEERING LTD., Hamilton, Ont., and designer Tim Kyowski review blueprints with EDC's Tammy Pillar

AU-DELÀ DE 115 EXPORTATEURS, AINSI QUE 7 600 FOURNISSEURS DE CES DERNIERS, ONT BÉNÉFICIÉ DES SERVICES DE FINANCEMENT DE LA SEE EN 1991.

Joe Ng (au centre), président de JOE NG ENGINEERING LTD. à Hamilton (Ontario) et Tim Kyowski, concepteur, examinent des plans en compagnie de Tammy Pillar de la SEE

Le monde du financement international

Qu'il s'agisse de pièces d'avions aux Pays-Bas, d'un projet de détournement des eaux au Venezuela, ou de la prestation de services de savoir-faire pour le secteur pétrolier en Algérie, le financement du commerce international devient une entreprise de plus en plus complexe.

Grâce à un marketing dynamique de la part des exportateurs canadiens, la SEE a enregistré en 1991 une augmentation de 13 p. 100 du volume total de prêts signés, dont la valeur a atteint 1,69 milliard de dollars. Il s'agit de la cinquième année d'augmentation de l'appui accordé sous forme de financement à l'exportation.

Le volume des prêts financés comprend une tranche de financement concessionnel et non concessionnel d'une valeur supérieure à 240 millions de dollars accordée sur le Compte du Canada, que la SEE administre au nom du gouvernement du Canada.

Au-delà de 115 exportateurs, ainsi que 7 600 fournisseurs de ces derniers, ont bénéficié des services de financement à l'exportation de la SEE en 1991. Nous avons continué à appuyer les petites transactions et les exportateurs de moindre envergure, au point où environ 75 p. 100 des transactions financées en 1991 ont porté sur des montants inférieurs à 5 millions de dollars, et 20 p. 100 des exportateurs concernés ont des ventes annuelles inférieures à ce montant.

Lines of Credit Were the Most Utilized of EDC's Export Financing Products.

David Duggan (left), President, DELCAN INTERNATIONAL CORPORATION Toronto, and Jose Paradela, Vice-President — Americas (right) with EDC's Margaret Schumacher

Les lignes de crédit ont été les produits de financement à l'exportation de la SEE les plus utilisés.

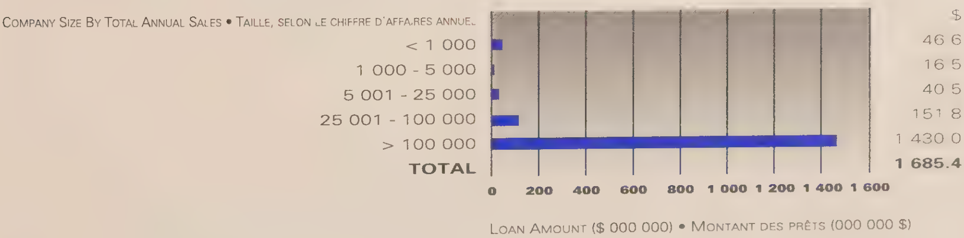
David Duggan (à gauche), président de DELCAN INTERNATIONAL CORPORATION à Toronto et Jose Paradela (à droite), vice-président pour les Amériques, en compagnie de Margaret Schumacher, de la SEE

Faciliter les exportations grâce à des outils de financement

Les lignes de crédit ont été les produits de financement à l'exportation de la SEE les plus utilisés. Ces mécanismes, dont les modalités sont établies à l'avance, permettent une mise en place rapide du financement, ce qui constitue un facteur appréciable face à l'impitoyable situation concurrentielle qui règne sur les marchés d'exportation.

Export Financing By Size of Company ($ 000)

Financement à l'exportation, selon la taille de l'entreprise (000 $)



Building Exports With Financing Tools

Lines of Credit were the most utilized of EDC's export financing products. These pre-arranged facilities allow financing to be completed rapidly, an important factor given the fierce export competition.

Throughout 1991, EDC signed or renewed lines of credit valued at more than $1.0 billion, bringing the total available under these facilities to $4.3 billion. Canadian exporters, both large and small, benefitted from 158 individual allocations under 42 lines of credit in 19 countries.

Lines of credit are valuable marketing tools for Canadian exporters in their negotiations with foreign buyers. These facilities make buyers more aware of Canadian suppliers, and alert Canadian exporters to markets where EDC financing is available.

Lines of Credit are Valuable Marketing Tools For Canadian Exporters.

Stuart Harper (seated), Senior Vice-President, CHEMETICS INTERNATIONAL COMPANY LTD., Vancouver, with (l to r) EDC's John Balint, Peter Foran and Winney Chow.

Les lignes de crédit constituent de précieux outils de mise en marché pour l'exportateur canadien.

Stuart Harper (assis), premier vice-président de CHEMETICS INTERNATIONAL COMPANY LTD. à Vancouver (C.-B.), en compagnie de John Balint, Peter Foran et Winney Chow, de la SEE

In countries where EDC does not have lines of credit or protocols, or where transactions are too large to be handled by these instruments, EDC concluded 33 direct loans during 1991.

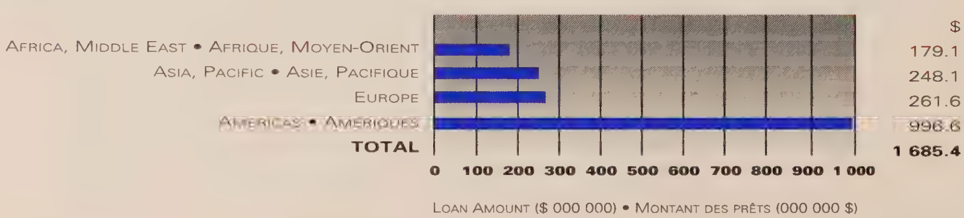
Creating Market Opportunities

The bulk of EDC's financing activities in 1991 continued to be focused in Europe, the United States, Mexico, Algeria, Venezuela and China. Half of this financing supported sales to private sector buyers in commercial markets.

For many of EDC's traditional markets, concessional or *credit-mixte* financing has become an everyday feature of competitive financing practices. In an environment of scarce government resources, Canada's capacity to compete

Export Financing By Geographic Area

Financement à l'exportation par région géographique



En 1991, la SEE a signé ou renouvelé des lignes de crédit d'une valeur supérieure à 1 milliard de dollars, ce qui porte à 4,3 milliards de dollars la valeur totale du financement disponible sur ces mécanismes. Au cours de cet exercice, les exportateurs canadiens de toute envergure ont bénéficié de 158 affectations sur 42 lignes de crédit, établies dans 19 pays.

Les lignes de crédit constituent de précieux outils de mise en marché pour l'exportateur canadien dans sa négociation avec les acheteurs étrangers. Elles attirent également l'attention des acheteurs étrangers sur les fournisseurs canadiens, tout en faisant connaître aux exportateurs canadiens les marchés où la SEE offre du financement.

Dans les pays où la SEE n'a pas établi de lignes de crédit ou de protocoles de financement, ou dans les cas de transactions dont la valeur était trop élevée pour être financée sur ces mécanismes, la Société a conclu 33 prêts directs en 1991.

Half of EDC's Financing Supported Sales to Private Sector Buyers in Commercial Markets

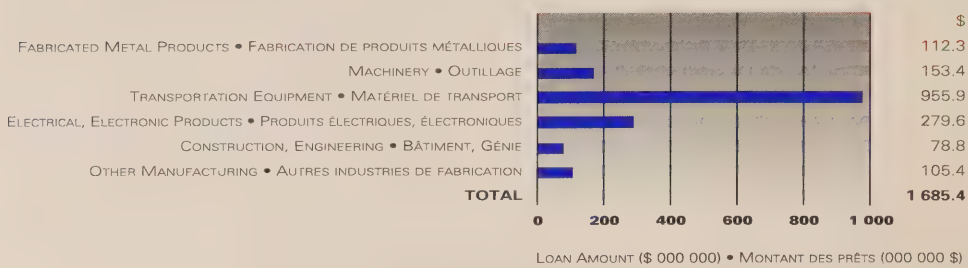
La moitié du financement accordé par la SEE a servi à appuyer des ventes à des acheteurs du secteur privé sur des marchés commerciaux.

Créer des débouchés

En 1991, la SEE a continué à concentrer ses activités de financement sur l'Europe, les États-Unis, le Mexique, l'Algérie, le Venezuela et la Chine. La moitié du financement accordé a servi à appuyer des ventes à des acheteurs du secteur privé.

Dans le cas d'un bon nombre des marchés traditionnels de la SEE, le financement concessionnel ou par crédits mixtes est devenu une caractéristique courante des pratiques concurrentielles de financement. Or, comme les ressources gouvernementales se raréfient, la capacité du Canada de soutenir la concurrence selon des modalités similaires est mise à rude épreuve. Dans ce contexte, l'accord atteint, à la fin de 1991, au sujet d'une nouvelle série de réformes au Consensus de l'Organisation de coopération et de développement économiques (OCDE) vient tout particulièrement à point. Ces réformes visent essentiellement à réduire, de façon substantielle, l'importance de l'aide consentie par de nombreux pays créanciers à l'appui des échanges commerciaux. Même s'il est prématuré d'en mesurer l'incidence, ces réformes ont été

Export Financing By Industrial Sector
Financement à l'exportation, par secteur industriel



on similar terms has become strained. With this in mind, the agreement reached in late 1991 on a new package of reforms to the Organization for Economic Cooperation and Development (OECD) Consensus Arrangement is particularly timely. The principal objective of these reforms is to substantially reduce the level of aid being used by many creditor countries in support of trade. While it is premature to assess the impact of these changes, they are welcomed by EDC and Canada to help level the playing field for Canadian exporters.

In the 1990s, the Asia/Pacific region, the lower risk countries that are members of the OECD, and selective traditional markets like Mexico and Venezuela, are expected to be particularly attractive for Canadian exporters.

EDC Has Worked to Help Level the Playing Field for Canadian Exporters.

(l to r) EDC's Tom Kowbel and Bob Van Adel discuss financing support for ABB COMBUSTION ENGINEERING SYSTEMS, with Peter Koelbleitner, Vice-President and General Manager, Gloucester Ont.; Denise Devaul, Legal Counsel; and William Jones, President ABB Service Segment.

La SEE contribue à uniformiser les règles du jeu auxquelles sont soumis les exportateurs canadiens.

De gauche à droite : Tom Kowbel et Bob Van Adel de la SEE, discutent de financement avec Peter Koelbleitner, vice-président et directeur général, Denise Devaul, avocate, et William Jones, président de la division des services d'ABB COMBUSTION ENGINEERING SYSTEMS à Gloucester (Ont.)

bien accueillies par la SEE et le Canada puisqu'elles contribuent à uniformiser les règles du jeu auxquelles sont soumis les exportateurs canadiens.

Il faudra s'attendre, au cours des années 90, à ce que la région Asie-Pacifique, les pays membres de l'OCDE présentant les plus faibles risques et certains marchés traditionnels comme le Mexique et le Venezuela deviennent particulièrement attrayants pour les exportateurs canadiens.

EDC Strives to Provide the Financial Products and Services Canadian Exporters Need to Succeed.

La SEE vise à offrir les services et produits financiers qui aideront les exportateurs canadiens à réussir.

Capital Funding Meets Customer Needs

As a Partner to Both Large and Small Canadian Exporters, EDC Strives to Provide

EDC borrows aggressively on capital markets to fund its loan commitments.

In 1991, EDC raised the equivalent of $1.3 billion through international bond issues. EDC's first Canadian public issue was recognized by the *Financial Post* as one of the year's most innovative consumer investment products. The Protected Index Notes (PINs) bond issue links investor returns to appreciation in the Standard & Poor's 500 Composite Stock Index.

With worldwide declines in interest rates, EDC will continue to pursue longer term funding opportunities.

1992 and Beyond

We live in an era characterized by change and uncertainty. To succeed, Canadian exporters must become more competitive. EDC's aim is to provide the financial products and services required to help Canadian exporters succeed in this new environment. As a partner to both large and small Canadian exporters, EDC's objective is to become the best in the world at providing the highest quality financial services for its customers.

the Highest Quality Financial Services for its Customers.

Lorenzo Salvaggio (centre), Vice-President, Finance, LAWSON MARGO PACKAGING CORPORATION, Baie d'Urfé, Quebec, with EDC's James Kramer (left) and Harold Riley.

Partenaire des exportateurs canadiens, quelle que soit leur envergure, la SEE vise à offrir des services financiers de qualité exceptionnelle à ses clients.

Lorenzo Salvaggio (au centre), vice-président aux Finances de LAWSON MARGO PACKAGING CORPORATION à Baie d'Urfé (Québec) en compagnie de James Kramer (à gauche) et de Harold Riley de la SEE.

Financement des immobilisations pour répondre aux besoins des clients

La SEE a recours à des méthodes dynamiques lorsqu'elle emprunte sur les marchés financiers pour financer ses engagements au titre des prêts.

En 1991, elle a recueilli l'équivalent de 1,3 milliard de dollars au moyen d'offres d'obligations lancées sur les marchés internationaux. La première offre publique de billets protégés reliés à un indice réalisée par la SEE a été décrite par le Financial Post comme l'un des produits d'investissement les plus innovateurs de l'année. Les billets protégés (PINS) offrent aux investisseurs un rendement lié au relèvement de l'indice composé de Standard & Poor's 500.

Malgré le déclin des taux d'intérêt à travers le monde, la SEE demeurera à la recherche d'occasions de financement à long terme.

1992 et l'avenir

Nous vivons une époque marquée par le changement et l'incertitude. Pour réussir, et mieux soutenir la concurrence, l'exportateur canadien devra réviser ses stratégies. Pour sa part, la SEE s'efforce de mettre au point les produits et services financiers qui aideront les exportateurs canadiens à devenir plus concurrentiels sur la scène internationale. À titre de partenaire des exportateurs canadiens de toute envergure, la SEE ne ménagera aucun effort pour devenir le chef de file mondial quant à la qualité des services financiers offerts à ses clients.

TO SUCCEED, CANADIAN EXPORTERS MUST BECOME MORE COMPETITIVE.

Water and hydr…
manufactured by
MALONEY STEEL …
Calgary, Alberta …
the Prairies
en route to export markets

S'ILS VEULENT RÉUSSIR, LES EXPORTATEURS CANADIENS DOIVENT DEVENIR PLUS CONCURRENTIELS.

Des usines …
du point de ro…
l'eau et des …
res fabriquées pa…
MALONEY STE…
Calgary (Alberta) …
des Prairies pour …
destinations à l'étran…

Senior Management of the Corporation

Executive Management Committee	Senior Management of the Corporation *		
P. Labbé President and Chief Executive Officer	**M.G. McLean** General Manager Corporate Coordination and Evaluation	**R. Fothergill** General Manager Quality and Customer Satisfaction	
M.D.J. Bakker Senior Vice-President Finance and Chief Financial Officer	**R.G.C. Marshall** Vice-President and Treasurer	**J.F. Gagan** Corporate Controller	
G. Hammond Senior Vice-President Marketing	**P.A. Foran** Vice-President Western Canada	**K.R. Cooke** Vice-President Ontario	Vice-President Québec and Atlantic
	L.M. Landry General Manager Marketing and Communications	Chief Economist Economics	
R. Pruneau Senior Vice-President Export Insurance	**A.I. Gillespie** Vice-President Export Insurance	**J. Graves** General Manager Short Term Insurance	**E. Siegel** General Manager Medium Term Insurance
G. Ross Senior Vice-President Legal Services and Secretary	**M. Leduc** General Counsel Legal Services		
R. Van Adel Senior Vice-President Export Financing	**D.O. Curtis** General Manager Americas	**W.J. Brockbank** General Manager Asia / Pacific	**H. Souquières** General Manager Africa, Middle East and Europe
W.J.H. Musgrove Vice-President Human Resources and Administration	**W.J. Hughes** General Manager Human Resources	**J.B. Hutchison** General Manager Systems	

* effective April 1, 1992

Haute direction de la Société

Membres de la haute direction	Cadres supérieurs de la Société *		
P. Labbé Président et Chef de la direction	**M.G. McLean** Directeur général Coordination et Évaluation	**R. Fothergill** Directrice générale Qualité et Satisfaction du client	
M.D.J. Bakker Premier vice-président Finances et Chef des Services financiers	**R.G.C. Marshall** Vice-président et Trésorier	**J.F. Gagan** Contrôleur général	
G. Hammond Premier vice-président Marketing	**P.A. Foran** Vice-président Ouest du Canada	**K.R. Cooke** Vice-président Ontario	Vice-président Québec et Atlantique
	L.M. Landry Directrice générale Marketing et Communications	Économiste en chef Division de l'Économie	
R. Pruneau Premier vice-président Assurances à l'exportation	**A.I. Gillespie** Vice-président Assurances à l'exportation	**J. Graves** Directrice générale Assurances à court terme	**E. Siegel** Directeur général Assurances à moyen terme
G. Ross Premier vice-président Services juridiques et Secrétaire	**M. Leduc** Chef du Contentieux Division du Contentieux		
R. Van Adel Premier vice-président Financement à l'exportation	**D.O. Curtis** Directeur général Amériques	**W.J. Brockbank** Directeur général Asie et Pacifique	**H. Souquières** Directeur général Afrique, Moyen-Orient et Europe
W.J.H. Musgrove Vice-président Ressources humaines et Administration	**W.J. Hughes** Directeur général Ressources humaines	**J.B. Hutchison** Directeur général Systèmes	

* en vigueur le 1er avril 1992

Board of Directors — as at December 31, 1991

W.R.C. Blundell
Corporate Director
Toronto, Ontario
Member of the Audit Committee of the Board

D. Campbell
Associate Under-Secretary of State for External Affairs and Deputy Minister for International Trade
Ottawa, Canada
Member of the Executive Committee of the Board

T.A. Chisholm
President
Ronald A. Chisholm Limited
Toronto, Ontario
Member of the Business Development Committee of the Board

J.W. Chomiak
President
Hemisphere Engineering Inc.
Edmonton, Alberta
Member of the Business Development Committee of the Board

J. Deitcher
Vice-President and Director
RBC Dominion Securities Inc.
Montréal, Quebec
Member of the Executive Committee of the Board

C. Diamond
President
B.C. Turf Ltd.
Vancouver, British Columbia
Vice-Chairman of the Board
Member of the Executive Committee of the Board
Chairman of the Audit Committee of the Board

F.W. Gorbet
Deputy Minister
Department of Finance
Ottawa, Canada

J.T. Humphries
Granville West Group/ John T. Humphries Ltd.
Vancouver, British Columbia
Chairman of the Business Development Committee of the Board

P. Labbé
President and Chief Executive Officer
Export Development Corporation
Ottawa, Canada
Member of the Executive Committee of the Board

J. Laurent, Q.C.
Senior Partner
Guy & Gilbert
Montréal, Quebec
Member of the Business Development Committee of the Board

T.M. Munn
President
Munn & Company Limited
Mount Pearl, Newfoundland
Member of the Audit Committee of the Board

J.M. Romanchuk
Senior Vice-President
BBN James Capel Inc.
Calgary, Alberta
Member of the Audit Committee of the Board

M.J. Sabia
Barrister and Solicitor
Toronto, Ontario
Chairman of the Board of Directors
Chairman of the Executive Committee of the Board

B.A. Sully
Chairman
Rosny Holdings Limited
Goderich, Ontario
Member of the Business Development Committee of the Board

Conseil d'administration — au 31 décembre 1991

W.R.C. Blundell
Directeur de société
Toronto (Ontario)
Membre du Comité de vérification du Conseil

D. Campbell
Sous-secrétaire d'État associé aux Affaires extérieures et Sous-ministre du Commerce extérieur
Ottawa, Canada
Membre du Comité de direction du Conseil

T.A. Chisholm
Président
Ronald A. Chisholm Limited
Toronto (Ontario)
Membre du Comité du Conseil chargé de la promotion commerciale

J.W. Chomiak
Président
Hemisphere Engineering Inc.
Edmonton (Alberta)
Membre du Comité du Conseil chargé de la promotion commerciale

J. Deitcher
Vice-président et administrateur
RBC Dominion Valeurs Mobilières Inc.
Montréal (Québec)
Membre du Comité de direction du Conseil

C. Diamond
Président
B.C. Turf Ltd.
Vancouver (Colombie-Britannique)
Vice-président du Conseil
Membre du Comité de direction du Conseil
Président du Comité de vérification du Conseil

F.W. Gorbet
Sous-ministre
Ministère des Finances
Ottawa, Canada

J.T. Humphries
Granville West Group/ John T. Humphries Ltd.
Vancouver (Colombie-Britannique)
Président du Comité du Conseil chargé de la promotion commerciale

P. Labbé
Président et Chef de la direction
Société pour l'expansion des exportations
Ottawa, Canada
Membre du Comité de direction du Conseil

J. Laurent, c.r.
Associé principal
Guy & Gilbert
Montréal (Québec)
Membre du Comité du Conseil chargé de la promotion commerciale

T.M. Munn
Président
Munn & Company Limited
Mount Pearl (Terre-Neuve)
Membre du Comité de vérification du Conseil

J.M. Romanchuk
Vice-présidente principale
BBN James Capel Inc.
Calgary (Alberta)
Membre du Comité de vérification du Conseil

M.J. Sabia
Avocate
Toronto (Ontario)
Président du Conseil d'administration
Président du Comité de direction du Conseil

B.A. Sully
Président du Conseil d'administration
Rosny Holdings Limited
Goderich (Ontario)
Membre du Comité du Conseil chargé de la promotion commerciale

Serving
Canadians From Coast to Coast

Head Office
Export Development Corporation
151 O'Connor Street
Ottawa, Canada
K1A 1K3
Tel: (613) 598-2500
Telex: 053-4136
Fax: (613) 237-2690

Vancouver
Export Development Corporation
Suite 1030
One Bentall Centre
505 Burrard Street
Vancouver, British Columbia
V7X 1M5
Tel: (604) 666-6234
Fax: (604) 666-7550
(Serving British Columbia, Yukon Territory)

Calgary
Export Development Corporation
Suite 1030
510 - 5th Street S. W.
Calgary, Alberta
T2P 3S2
Tel: (403) 292-6898
Fax: (403) 292-6902
(Serving Alberta, Northwest Territories)

Winnipeg
Export Development Corporation
8th Floor
330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4
Tel: (204) 983-5114
Fax: (204) 983-2187
(Serving Manitoba, Saskatchewan)

London
Export Development Corporation
Suite 1512
Talbot Centre
148 Fullarton Street
London, Ontario
N6A 5P3
Tel: (519) 645-5828
Fax: (519) 645-5580
(Serving Southwestern Ontario)

Toronto
Export Development Corporation
Suite 810
National Bank Building
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel: (416) 973-6211
Fax: (416) 862-1267
(Serving Ontario)

Ottawa
Export Development Corporation
151 O'Connor Street
Ottawa, Canada
K1A 1K3
Tel: (613) 598-2992
Fax: (613) 237-2690
(Serving Eastern Ontario, Western Quebec)

Montréal
Export Development Corporation
Suite 2724
800 Victoria Square
P.O. Box 124
Tour de la Bourse Postal Station
Montréal, Quebec
H4Z 1C3
Tel: (514) 283-3013
Fax: (514) 878-9891
(Serving Quebec)

Halifax
Export Development Corporation
Suite 1003
Toronto-Dominion Bank Building
1791 Barrington Street
Halifax, Nova Scotia
B3J 3L1
Tel: (902) 429-0426
Fax: (902) 423-0881
(Serving the Atlantic Provinces)

Au service de tous les Canadiens

Siège social

Société pour l'expansion des exportations
151, rue O'Connor
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Télex : 053-4136
Télécopieur : (613) 237-2690

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Télécopieur : (604) 666-7550
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Winnipeg (Manitoba)
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Télécopieur : (204) 983-2187
(pour le Manitoba et la Saskatchewan)

London

Société pour l'expansion des exportations
Bureau 1512
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N6A 5P3
Tél. : (519) 645-5828
Télécopieur : (519) 645-5580
(pour le Sud-Ouest de l'Ontario)

Toronto

Société pour l'expansion des exportations
Bureau 810
Édifice de la Banque Nationale
150, rue York
C.P. 810
Toronto (Ontario)
M5H 3S5
Tél. : (416) 973-6211
Télécopieur : (416) 862-1267
(pour l'Ontario)

Ottawa

Société pour l'expansion des exportations
151, rue O'Connor
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K1A 1K3
Tél. : (613) 598-2992
Télécopieur : (613) 237-2690
(pour l'Est de l'Ontario et l'Ouest du Québec)

Montréal

Société pour l'expansion des exportations
Bureau 2724
800, place Victoria
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Succursale postale Tour de la Bourse
Montréal (Québec)
H4Z 1C3
Tél. : (514) 283-3013
Télécopieur : (514) 878-9891
(pour le Québec)

Halifax

Société pour l'expansion des exportations
Bureau 1003
Édifice de la Banque Toronto-Dominion
1791, rue Barrington
Halifax (Nouvelle-Écosse)
B3J 3L1
Tél. : (902) 429-0426
Télécopieur : (902) 423-0881
(pour les Maritimes)

Corporate Performance / Performance de la Société

EDC's business performance can be measured in a number of ways. The most obvious is the volume of growth in support achieved each year. The key factors that influence the opportunities for EDC to provide support are the nature of the goods and services being exported by Canadians; the markets and buyers to which exporters sell; and EDC's ability to provide competitive financing and insurance services to Canadian exporters over an extended period of time. Another factor of significance is EDC's ability to be a self-supporting institution. This is reflected, in part, by our ability to maintain a positive net income position.

EDC's actual achievements in these areas are outlined below and are compared with 1991 Corporate Plan numbers as well as 1990 actual results.

(in thousands $)	(en milliers de $)	Actual 1991 Résultats	1991 Plan	Actual 1990 Résultats
Export Financing Volume	**Financement à l'exportation**			
Corporate Account	Compte de la Société	1 411 405	1 100 000	1 271 129
Canada Account	Compte du Canada	243 851	N/A s/o	198 330
		1 655 256	1 100 000	1 469 459
Other Institutions	Autres institutions	30 126	N/A s/o	4 656
Total	Total	1 685 382	1 100 000	1 474 115
Export Insurance Volume	**Assurances à l'exportation**			
Corporate Account	Compte de la Société	5 078 005	4 829 000	4 843 844
Canada Account	Compte du Canada	92 689	N/A s/o	78 708
Total	Total	5 170 694	4 829 000	4 922 552
Total Export Volume	Total global	6 856 076	5 929 000	6 396 667
Net Income	Bénéfice net	32 724	3 000	6 303

La performance de la Société peut être mesurée selon différents critères. Le premier qui vient à l'esprit est la croissance de l'appui qu'elle accorde d'une année à l'autre. Quant aux facteurs-clés qui influent sur les occasions données à la SEE d'accorder cet appui, ce sont la nature des biens et services exportés par les Canadiens, les marchés et les acheteurs auxquels s'adressent les exportateurs et la capacité de la Société d'offrir un appui à long terme au moyen de services concurrentiels de financement et d'assurances. Autre facteur important : la capacité d'auto-financement de la SEE. Celle-ci se reflète, en partie, dans sa capacité de maintenir un bénéfice net positif.

Le tableau ci-dessus montre la performance chiffrée de la Société dans ces différents domaines, ainsi qu'une comparaison avec les chiffres contenus dans le Plan de la Société de 1991 et avec les résultats de l'exercice 1990.

Serving Canada From Coast to Coast

Au service de tous les Canadiens

Vancouver

Calgary

Winnipeg

London

Toronto

Ottawa

Montréal

Halifax

EDC
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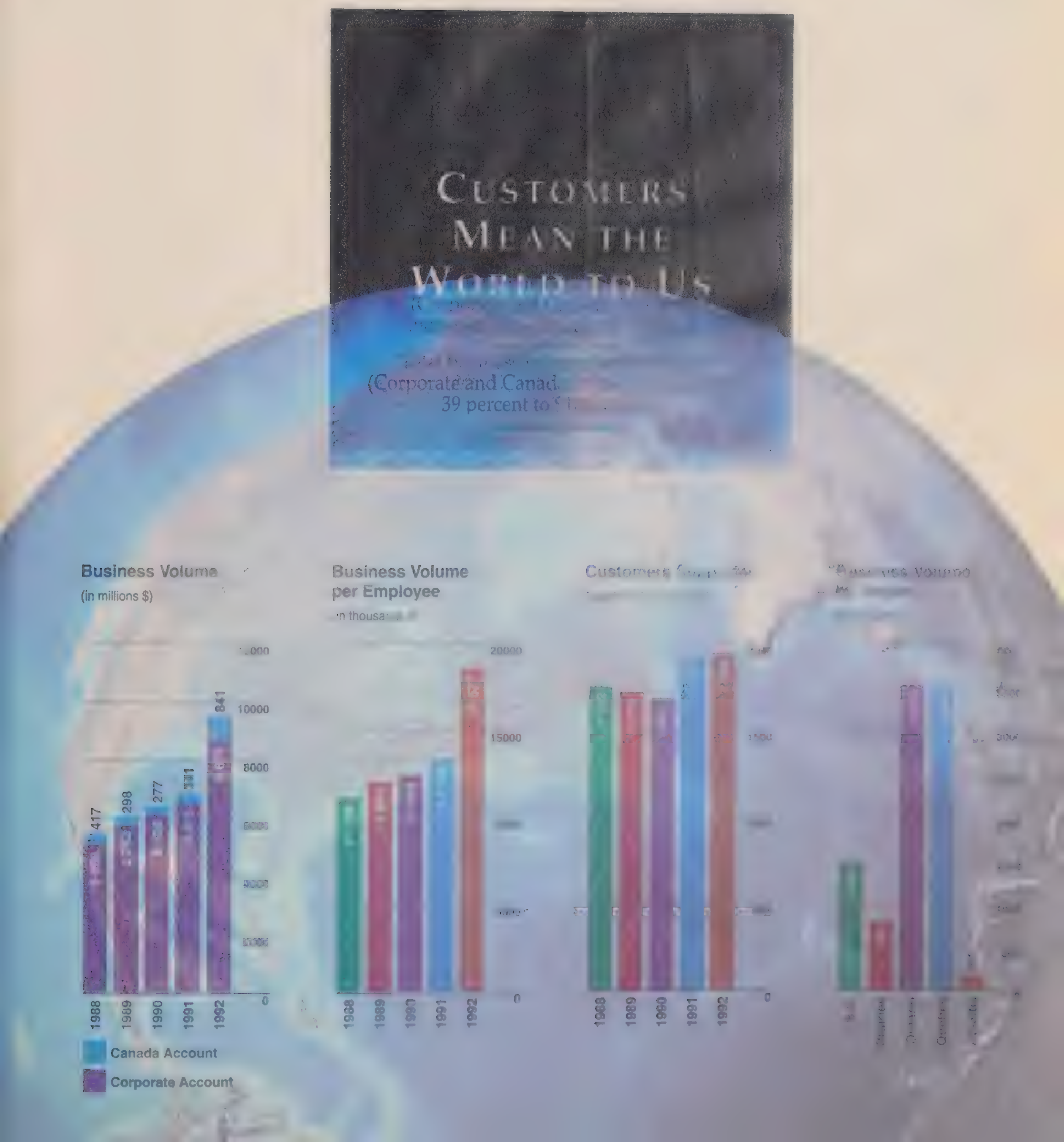
1992

ANNUAL
REPORT

EDC (Export Development Corporation) is a unique financial institution that specializes in helping Canadian exporters compete internationally. EDC facilitates export trade and foreign investment through the provision of risk management services, including insurance and financing, to Canadian companies and their global customers. EDC is committed to the highest standards of service, quality and professionalism.

Ce document est aussi disponible en français.

EDC
SEE



Customers Mean the World to Us
(Corporate and Canad
39 percent to
Business Volume
(in millions $)
Business Volume per Employee
Canada Account
Corporate Account
1988
1989
1990
1991
1992
417
298
277
841
10000
8000
20000
15000

financing, to Canadian companies and their global customers. EDC is committed to the highest standards of service, quality and professionalism.

Ce document est aussi disponible en français.

EDC
SEE

Highlights

A total of 1,942 customers used EDC's products and services in 1992.

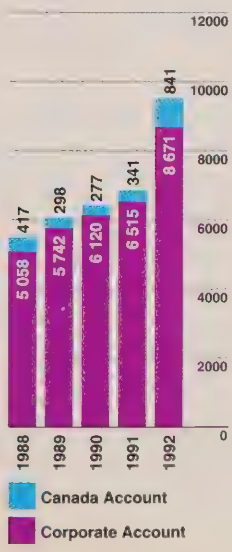
Approximately 329,000 person-years of employment were created or sustained by Canadian exporters using EDC's services.

More than 1,000 Canadian small businesses benefited from EDC's programs.

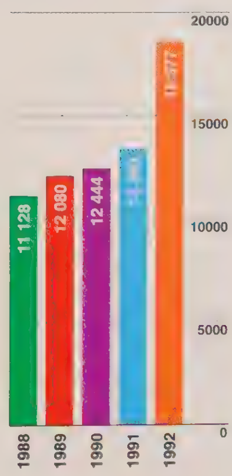
Total business volume (Corporate and Canada Accounts) increased 39 percent to $9.5 billion.

Total business volume per employee (Corporate and Canada Accounts) increased 39 percent to $18.6 million.

Business Volume
(in millions $)

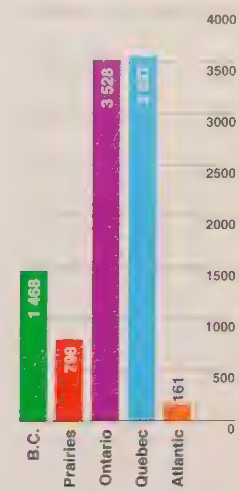


Business Volume per Employee
(in thousands $)



Customers Supported
(number of companies)

Business Volume by Region
(in millions $)



Chairman and President's Message

*Paul Labbé,
President and
Chief Executive Officer*

1992 was both challenging and rewarding for EDC and our customers. In a year that saw Canadian exports increase by 11 percent, EDC's corporate business volume jumped more than 33 percent to $8.7 billion, reflecting our growing role as a major Canadian financial intermediary. More and more exporters are drawing upon EDC's financial and risk management services to secure their established markets and to break into new ones.

The Challenge

A hard lesson emerged from the off-again, on-again recovery in 1992, namely, that the recession differed fundamentally from the more traditional cyclical retrenchments experienced in the past. The recession was, in fact, a fundamental restructuring brought about by globalization and rapidly intensifying international competition. The reality of these competitive forces has meant that businesses everywhere are having to change the way they do business and pay much closer attention to operational and financial results, the relations between labour and management, productivity, customer satisfaction and strategic alliances.

One of the striking features of globalization has been the transformation of financial markets. Equity and debt markets around the world are now integrated on a 24-hour basis and huge sums move electronically across borders throughout the year. Trade in goods and services has been dwarfed by the trade in financial instruments. Moreover, trade, foreign direct investment and technology transfers are increasingly interrelated.

Exporters are advantaged or disadvantaged by these developments depending, in part, on how well their bankers and other financial intermediaries have kept abreast of the changes. Credit facilitation is critical and the particulars of a financial package are often determining factors in securing an export opportunity. That is why EDC continues to streamline its services in order to be able to offer — alone or with others — a comprehensive mix of competitive financial services in a quick and simple fashion.

Preparing for the New Trade Environment

Canada is responding to the forces of globalization and to the challenge of international competition. The North American Free Trade Agreement (NAFTA) will link three countries, 370 million people and close to one-third of the world's wealth. In addition to improving on its predecessor, the Free Trade Agreement, it will herald a new era for this continent and open new opportunities for Canadian corporations to increase their presence in Mexico's dynamic market.

EDC is optimistic about the pending benefits of the much broader Uruguay Round of the General Agreement on Tariffs and Trade (GATT). Recent studies estimate the global trade gains from the reformed export environment at some $120 billion a year, of which $35 billion would accrue to North America alone. Although the talks have been long

and protracted, the world community remains strongly committed to a successful conclusion of the round.

Canada must continue to improve its competitive position if it is to reap the benefits of an improved trade environment. A number of measures have already been taken by the Government of Canada in that regard. They include tax reform; fiscal restraint; privatization of Crown corporations; deregulation of transportation, telecommunications and financial sectors; enhanced training programs; and price stability. More will undoubtedly be required from both the public and private sectors.

Competing Internationally

Despite the ever-changing and increasingly competitive trade environment, Canadians performed extremely well in 1992. The 11 percent increase in Canadian exports was impressive compared with the average annual one percent growth in the last three years, and the five percent growth in world trade generally.

Given that 75 percent of Canada's exports are to the United States, the 13 percent growth in shipments to that market in 1992 was very significant. It indicates that Canadian exporters have continued to show strength in their most important market despite the sluggish economic conditions in the United States and the pessimistic forecasts of critics of the Free Trade Agreement.

In 1992, Canadian exports to Latin America increased by a healthy 16 percent, albeit from a small base. Sales of grain and capital goods to Mexico, Brazil and Colombia were especially robust. Exports to the Asia/Pacific region were buoyed by sustained growth in sales made by the resource-based industries. Exports to Europe grew only marginally in 1992, although better than the negative growth of the previous year. European markets continue to be depressed by poor demand.

Looking at Canadian export performance in key industrial sectors, exporters of telecommunication equipment successfully weathered the recessionary environment and rising competition from abroad while exports of forestry and food products also rose, largely as a result of significant price increases in wheat and lumber. While the aerospace industry started the year with a backlog of new aircraft orders, sales were affected somewhat towards year-end by recessionary conditions and cutbacks in defence spending. The automotive sector was especially strong in 1992, due largely to the shift in North American preference towards light vans and trucks, many of which are manufactured in Canada. Finally, capital and manufactured goods performed well last year with office machines and related equipment, in particular, recording over 10 percent growth.

Maureen Sabia, Chairman of the Board of Directors

Improving Canadian Competitiveness

Canada cannot survive with the type of slippage in its competitive edge that occurred during the 1980s. Businesses have had to invest heavily in productivity-enhancing measures. These investments

are already yielding positive results and they will ultimately mean better jobs and higher incomes for Canadians. Similarly, Canada cannot rely solely upon domestic recovery to generate the jobs necessary to lower the unemployment rate to a more acceptable level. Approximately one job in four in this country depends on the strength of the export sector and this dependency will increase as globalization becomes more pervasive. Therefore, it is imperative that both corporations and their employees be better equipped to compete internationally.

It is encouraging to note in this context that in 1992 unit labour costs in Canada showed signs of narrowing relative to those in the United States, even when expressed in Canadian dollar terms. This marked an abrupt and welcome change from the widening cost differentials between Canada and the United States experienced during the 1980s. In addition, Canadian exporters benefited from the decline in the Canada/U.S. exchange rate.

EDC's Evolving Role

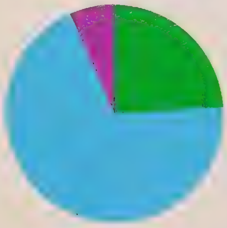
During the past year, EDC intensified its efforts to help Canadian exporters compete. The ambitious goal of our Total Quality Management approach to customer satisfaction, adopted in 1991, is to be the best in the world at what we do. Canadian exporters deserve nothing less and, like the Canadian exporting community, EDC must rise to the competitive challenge. As a result, we are building our business strategy around the principles of quality and customer satisfaction. Turnaround times on loan and insurance applications have been shortened, the processes for formulating financial packages streamlined, and EDC's products and services have been better tailored to meet customers' needs.

In addition, EDC has worked more closely with banks and other financial institutions in Canada and abroad in structuring financial packages tailored to specific market requirements. EDC has also intensified its efforts to share risk management expertise with Canadian businesses right across the country. Workshops conducted for that purpose drew large audiences, as exporters welcomed the opportunity to share information and experiences about global markets.

EDC made considerable progress during 1992 in satisfying its customers' requirements. Still, there is no room for self-congratulation or complacency. Canada's future prosperity is directly linked to improved export performance. The government has announced a target of doubling the number of firms that export by the year 2000 and EDC has an important role to play in this national effort. In order to compete effectively, Canadian exporters need access to financing packages that can match those available to their international competitors. Canadian exporters have been very clear during consultations with EDC on their needs: they require a wider range of risk management services than EDC is currently empowered to provide and they need better and faster access to financing than is currently available.

This has led EDC to re-examine critically its governing legislation, the *Export Development Act*, which was first enacted in 1969. Along with our customers, we have long recognized the deficiencies of the legislation. In many ways, the Act limits our ability to support Canadian exporters. Its narrow ambit means that many deserving export transactions go unsupported and that unnecessarily complex financial arrangements may be required for what would otherwise be simple, straightforward transactions. Moreover, the protracted and costly negotiations associated with the efforts to restructure a transaction in a way that will bring it within the scope of the legislation can mean lost sales due to delays and higher costs. Those delays and higher costs can virtually eliminate many small- and medium-sized exporters.

Total EDC Business
(in millions $)



Export Financing	2 080.2
Export Insurance	6 032.0
Foreign Investment Insurance	558.3

Despite its obvious shortcomings, however, the *Export Development Act* has proved to be a valuable tool in promoting Canadian exports. In many respects it has served Canada well. Now, however, the rapidly changing international environment is sorely testing EDC's ability to keep pace with the changing needs of our customers. Changes to our legislation have become urgent and imperative.

EDC has, therefore, recommended to the Government of Canada several key amendments to the *Export Development Act* designed to provide our customers with the types of services they require to compete effectively in international markets.

EDC
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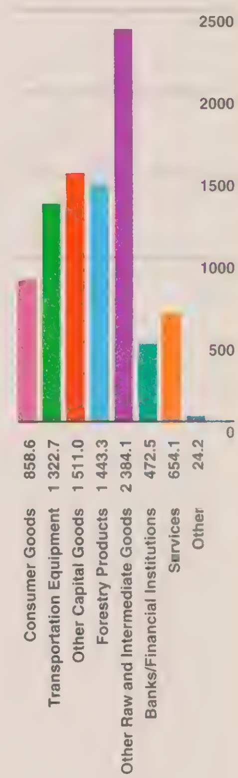
These amendments would enable EDC to continue to operate on a commercially self-sustaining basis, without placing additional strains on the public purse. The proposed amendments will help us streamline our processes and enhance the range and quality of financial services offered. Specific proposals include streamlined pre-export financing, enhanced project financing, expanded lease financing services, and a broader range of account receivables insurance and foreign investment support facilities.

A streamlining of the Canada Account process and an increase of EDC's borrowing authority also are included in the list of recommended changes.

Adoption of the proposed legislative amendments would allow EDC to respond more quickly and effectively to the financial requirements of its customers, thereby helping to make Canadian businesses more competitive with other international suppliers to world markets. Supporting Canadian business in its international efforts and encouraging more businesses to export will help ensure Canada's success in global markets. That success will mean more jobs in Canada and a higher standard of living for all Canadians.

Total EDC Business by Industrial Sector
(in millions $)



Executive Management Committee: (left to right) Gilles Ross, Roger Pruneau, Bill Musgrove, Paul Labbé, Bob Van Adel, Glen Hammond and Martin Bakker

EDC's 1992 Results

The 33 percent increase in EDC's volume of business in 1992 is a significant accomplishment. While the financial statements in this *Annual Report* provide the details, the following highlights are noteworthy.

During 1992, EDC provided services to a record 1,942 customers. We provided $6.6 billion in export insurance coverage, $2.1 billion in export financing and $832 million in Canada Account insurance and financing — all record levels. In addition, we had a record profit of $44 million.

EDC's higher revenues are attributable to a number of factors including: a sustained and focused debt collection program; improved net interest yields on the investment portfolio; increased revenues from insurance premiums; and interest payments from the Government of Canada under debt relief arrangements with certain countries. In addition, EDC's highly successful financing strategies and instruments have led to a significant decrease in borrowing costs.

At the same time as EDC significantly increased its volume of business, it increased its provisions. Loan loss provisions were increased from $449 million to $608 million, and the insurance claims allowance was increased from $86 million to $97 million.

A Team Approach

The successes of the past year are attributable to the unprecedented efforts of many people. We wish to express our appreciation to EDC's highly skilled and dedicated employees, each of whom played a part in achieving our record performance. In terms of productivity alone, the total Corporate and Canada Account business volume handled per employee in 1992 jumped 39 percent to $18.6 million. We take great pride in acknowledging a group of men and women whose primary motivators are excellence, service, performance and productivity.

EDC's Board of Directors is an integral part of the EDC team. Bringing diverse backgrounds and a wide range of experience from every region of Canada, EDC's Directors devote considerable time and energy to the work of the Corporation. Their efforts are worthy of recognition and deserving of our appreciation.

Three members of the Board retired in 1992 — Charles Diamond, John Humphries and Frederick Gorbet. We wish to recognize the significant contribution each made to EDC's continued success. A special word of appreciation is owed to Charles Diamond, who served both as Vice-Chairman and as Chairman of the Audit Committee. We will miss his wise counsel. To the three new members of the Board — Lloyd Callahan, Nairn Knott and David Dodge — we extend a warm welcome.

Meeting the Challenge

EDC is committed to helping Canadian business win in the international marketplace. The prosperity of all Canadians depends on how successfully our businesses can compete globally. EDC is dedicated to helping Canadians finish first.

Maureen Sabia

Maureen Sabia,
Chairman of the Board of Directors

Paul Labbé

Paul Labbé,
President and Chief Executive Officer

Exploring Global Markets

Canada's export performance in 1992 was a bright spot in a year when many of the nation's economic indicators were less positive. Despite continued sluggishness that affected the economies of most of the world's industrialized countries, Canada's overall exports were impressive.

EDC played a key role in supporting these exports around the globe. EDC's broad range of flexible risk management services was vital in helping Canadian exporters respond effectively to the challenges of a constantly changing international marketplace. Throughout the year, EDC assisted Canadian companies in taking advantage of business opportunities and in improving their international competitiveness.

Customers First

A cornerstone of EDC's business strategy is customer satisfaction. During 1992, EDC focused its efforts on streamlining products and services, and on developing programs to help Canadian exporters make the most of new, worldwide opportunities.

Throughout the year, EDC responded effectively to the evolving needs of its customers in many areas. Significant in 1992 was the support that EDC provided to mitigate the growing risk that Canadian exporters now face as more international projects are driven by the private sector rather than by governments.

Increasing Support

EDC also worked hard to identify and implement new ways to support Canadian exporters throughout the world. One critical initiative for EDC in 1992 was making its services more accessible to small- and medium-sized exporters.

Efforts that began in 1992 on several fronts will continue in 1993: to simplify the administration of EDC's lines of credit in Mexico and increase the accessibility of this financing for smaller transactions; to streamline the export credit insurance policy for smaller exporters; and to examine the role of EDC's eight regional offices with the intention of enhancing the delivery of products and services. As well, EDC will continue to broaden its expertise in a wide range of industrial sectors to better address the specific insurance and financing needs of exporters.

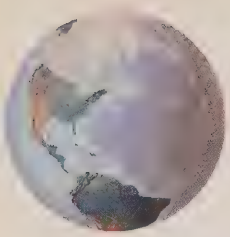
Partners in Trade

EDC continued to work closely with Canadian banks to provide more comprehensive financial services. This partnership between EDC and the banks increases support for the transaction through risk sharing, allows for an exchange of knowledge and expertise in structuring export transactions, and gives Canadian exporters access to new markets.

Some export markets proved especially challenging for Canadian business. By working with various international partners that have a recognized market expertise, EDC was able to find new ways to mitigate commercial and political risk, and extend financing support for various international projects.

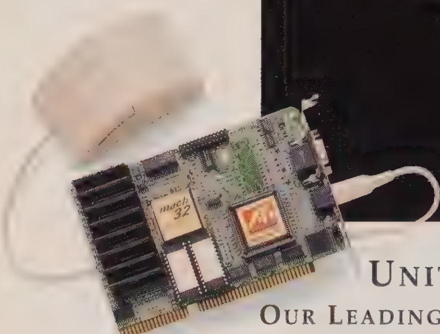
Around the World

In 1992, EDC supported both large and small exporters, representing a variety of sectors, in 129 countries around the world. These ranged from the traditionally strong markets of the United States and Europe to the increasingly significant markets of Asia/Pacific and the Middle East.



EXPLORING GLOBAL MARKETS:
THE AMERICAS

Computer boards connect in the U.S.: ATI Technologies' graphics accelerators enhance computer systems in the U.S.



EDC Business in the United States, Mexico and the Caribbean
(in millions $)

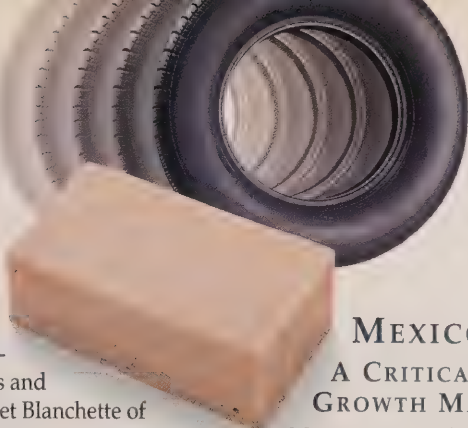
UNITED STATES:
OUR LEADING PARTNER

The United States dominated the Canadian export picture in 1992, absorbing more of Canada's export sales than any other country. Although economic recovery in the U.S. was slow, Canadian exports did exceptionally well, increasing 14 percent over 1991. In the latter part of the year, Canadian exporters benefited from a lower Canadian dollar. This is expected to have a continuing positive effect throughout 1993.

Although the U.S. again offered many opportunities for Canadian companies, exporting to this market became riskier in 1992. Credit quality remained poor as high debt loads, the recession and a credit squeeze resulted in a record number of bankruptcies. Canadian exporters selling to the U.S. often relied on the risk management services offered by EDC. In fact, the Corporation supported more than $2 billion of U.S.-destined exports under its insurance programs. This represented nearly 32 percent of EDC's total insurance volume, and an increase of 4 percent over 1991. Fully 81 percent of the claim applications EDC received in 1992 were for losses for U.S. sales. In total, 435 claim applications for 29 countries were approved, and a total of $18.4 million was paid to Canadian exporters. Prompt payment of these claims by EDC was critical in helping exporters manage their cash flow.

To help reduce their risks in the U.S., many exporters turned to EDC's Global Comprehensive Insurance. Total export sales supported by Global Comprehensive Insurance in the U.S. was more than $1.8 billion. This insurance, which applies to sales conducted on short-term credit terms, covers an exporter's sales to many geographical markets. ATI Technologies Inc. of Scarborough, Ontario, for example, has used this insurance to cover sales of its computer circuit boards and modems to the U.S., Europe, the Far East and other countries. In 1992, a diverse range of products was covered under this insurance program, including aluminum, rubber and electronic equipment.

The U.S. was the primary market for two other companies supported by EDC: Electromed, a Saint-Eustache, Quebec



company that produces X-ray generators for use in hospitals and clinics; and Blanchette et Blanchette of St-Gérard, Quebec, which exports wooden fences. These companies, along with 848 other policyholders, benefited from coverage under EDC's Short Term Insurance program in the U.S.

As competition intensified for available capital, EDC financing was particularly important for exporters seeking to take advantage of opportunities in U.S. industry sectors such as aerospace and telecommunications. Other sectors emerging for the U.S. market include the surface transportation, pulp and paper, power generation and steel industries.

To help secure export opportunities in this market, exporters relied on EDC's expertise to structure financing transactions at market terms and conditions. Financing options suited to the U.S. include limited recourse financing and leasing arrangements, which allow lessors to take advantage of the tax benefits of purchasing Canadian equipment. In 1992, EDC's financing volumes in the U.S. totalled $633 million.

Dreco Energy Services Ltd. of Edmonton, Alberta specializes in manufacturing high-quality oilfield equipment. Dreco has benefited from EDC financing for three U.S. export contracts, including a recent sale of a slim hole drilling rig to a buyer based in Houston, Texas.

Mexico:
A Critical Growth Market

Mexico is a significant market for EDC's customers. In fact, in 1992 EDC supported more than 50 percent of all Canadian exports destined for Mexico.

Mexico is a critical growth market for Canadian exporters and will become increasingly more important under the North American Free Trade Agreement (NAFTA), signed by the governments of Mexico, the United States and Canada in August 1992. NAFTA is expected to be ratified by all three legislatures in 1993.

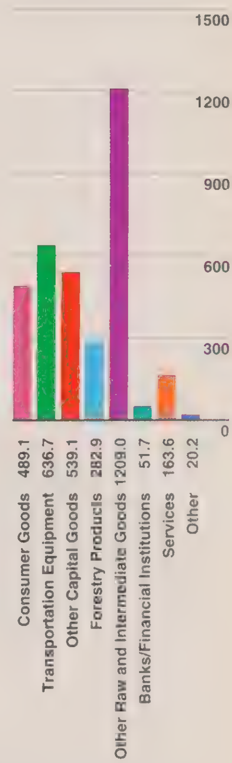
EDC's insurance support for Mexican transactions more than doubled in 1992 as Mexico became EDC's fourth-largest insurance market with $324 million in business volumes. Of that total, 72 percent of business was conducted under EDC's Bulk Agriculture Insurance programs. These programs are of growing importance to Canada's exporters of agricultural products. Available for short-term insurance coverage and medium-term guarantees, Bulk Agriculture Insurance protects against political and commercial risks, and helps Canadian exporters compete internationally on the same basis as suppliers in other countries.

Particularly important in Mexico in 1992 were the Medium-Term Bulk Agriculture Guarantees, which primarily supported sales of wheat. Maple Leaf Mills International of Etobicoke, Ontario, a member of Maple Leaf Foods Inc., sold a number of wheat shipments to various mills in Mexico with the backing of EDC's guarantee program. Maple Leaf also exports flour throughout the Caribbean and wheat to its own mills in the Caribbean and Central America.

Late in 1992, EDC put the finishing touches on a reinsurance agreement with Mexico's export credit agency, Banco Nacional de Comercio Exterior, S.N.C. (BANCOMEXT). Under

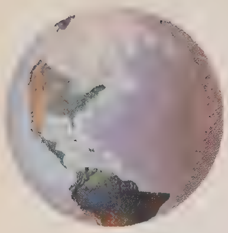
Business by Industrial Sector in the United States, Mexico and the Caribbean

(in millions $)



▲ ***On the road to new markets:*** *Polysar's rubber compound is used extensively in the automotive industry in the U.S., Mexico and South America.*

◄ ***Fencing in southern neighbours:*** *Blanchette et Blanchette's stockade fences are in demand in the U.S. Owner and President, Claude Blanchette (left); and Sales Manager, Jean-Paul Daigneault (right); with EDC's Bruno Landry.*



EXPLORING GLOBAL MARKETS:
THE AMERICAS

Analyzing Mexican air quality: *Bovar-Western Research's photometric analyzers monitor industry emissions in Mexico.*

the agreement, either EDC or BANCOMEXT can reinsure some of the risks assumed by the other party on export contracts to third countries. This will encourage cooperation between Canadian and Mexican exporters.

In Mexico's fast-growing market, one of the most important financing instruments for Canadian exporters is EDC's lines of credit program. Of the 38 lines of credit established worldwide, 13 are in Mexico. Lines of credit are important marketing tools for Canadian exporters, and are the most frequently used of all EDC's financing facilities. Because most terms and conditions are established, foreign buyers have ready access to the financing necessary to help them purchase Canadian goods and services. Exporters find that EDC's lines of credit often make the difference in winning an export contract. In 1992, EDC supported 112 individual allocations under lines of credit established in 18 countries with a value of $3.4 billion.

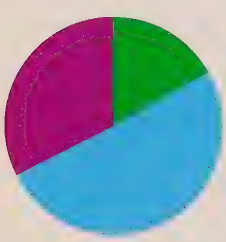
In Mexico, lines of credit valued at $840 million have been established with state-owned agencies, including Petróleos Mexicanos (PEMEX) — the state oil company — and key financial institutions. In 1992, 47 allocations valued at $91 million were concluded under these lines of credit.

In 1992, as part of EDC's continuing support for small- and medium-sized exporters, the Corporation began streamlining the administration of the 11 smaller, multi-purpose Mexican lines of credit. This initiative is aimed at making financing support in Mexico more accessible for smaller transactions and shortening the processing time.

For two Alberta companies, Mactronic Ltd. and Bovar-Western Research, financing available under EDC's Mexican lines of credit was critical. Mactronic Ltd. of Red Deer successfully concluded a sale of electronic Mac Ignitor ignition systems, and Bovar-Western Research of Calgary sold air demand analyzers and controllers, used to optimize sulphur recovery plants and assist in reducing air emissions at refinery production sites in Mexico. Both transactions were with PEMEX.

EDC's financing support in Mexico also included direct loans for transactions that are too large to be concluded under a line of credit.

EDC Business in Central and South America
(in millions $)



Export Financing	124.7
Export Insurance	380.0
Foreign Investment Insurance	241.3

South America:
Economic Reform Sparks Trade

The economic reforms introduced in recent years by several South American countries have helped create opportunities for Canadian exporters. Structural adjustment programs have lowered inflation, attracted new sources of capital investment and spurred economic growth. Most significantly for exporters, trade deregulation and liberalization have resulted in considerable demand for imports. In 1992, South America increased its purchases of Canadian goods and services by 14 percent, with grain and capital goods leading the way. Of the Canadian goods and services exported to South America in 1992, EDC supported 45 percent.

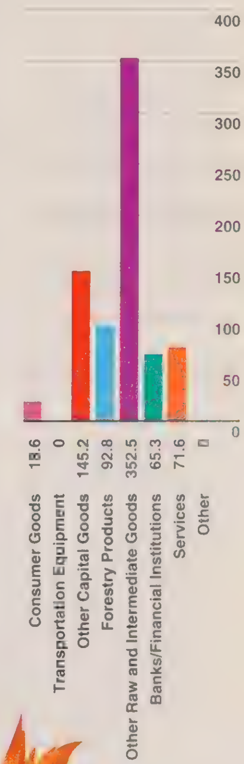
Economic reforms have created opportunities for the private sector to sponsor capital projects using project risk financing. This type of financing, based on the economic viability and cash flow-generating capabilities of the project, allows Canadian companies to gain a foothold in emerging markets. Opportunities of this type are now materializing in such countries as Venezuela, where EDC signed a $53 million project financing loan with a Venezuelan firm in support of the procurement of Canadian technology, goods and services by Asea Brown Boveri (ABB) of St. Laurent, Quebec. In this highly complex transaction, EDC was part of a large commercial financing package that supported the construction of a $320 million polyethylene plant. Repayment of the loans relies on the cash flow that will be generated by the sale of polyethylene in world markets under a 10-year marketing agreement with a Canadian company. Project risks were mitigated through a wide range of ancillary agreements.

Another important financing tool in Venezuela was EDC's new US$25 million line of credit established in January 1992 with Bariven S.A., the purchasing arm of Venezuela's national oil company, Petróleos de Venezuela S.A. This line of credit helped finance transactions in the oil and gas sector, and was heavily used in 1992 with total allocations valued at US$21 million.

Venezuela was also one of several prominent South American markets for EDC-supported insurance transactions. Others included Brazil, Chile and Colombia, where EDC supported sales of products such as wheat, potash, pulp and paper and powdered milk. The rubber products manufactured by Polysar Rubber Corporation of Sarnia, Ontario sold well in several South American countries, including Venezuela, Brazil, Colombia and Argentina, as well as in the U.S. and Mexico.

Argentina, a developing market for Canadian exporters, presented a growing number of investment opportunities as a result of its privatization efforts. EDC's Foreign Investment Insurance program, which insures new Canadian investments abroad against a wide range of political risks, was in demand in Argentina and many other evolving markets. For Chauvco Resources Ltd. of Calgary, Alberta, coverage under EDC's Foreign Investment Insurance provided the necessary protection to allow the company to capitalize on the privatization of the Argentine state oil sector.

Business by Industrial Sector in Central and South America
(in millions $)



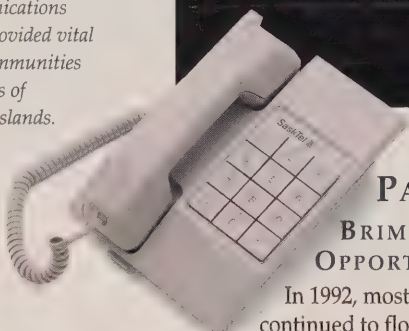
Growing export sales: *Maple Leaf exports wheat and flour to the Caribbean, Central America and Mexico. David Harvey, Manager, Commodity Trading (right); and Raymond Boudreau, President (centre); with EDC's Karen Goss.*

Hot prospects for Mexican markets: *Mactronic's flare systems provide safe and reliable ignition for the oil and gas industry in Mexico.*

Exploring Global Markets:

Asia/Pacific

Linking the Philippine islands: *SaskTel International's telecommunications expertise provided vital links for communities on hundreds of Philippine islands.*



Asia/Pacific:

Brimming with Opportunity

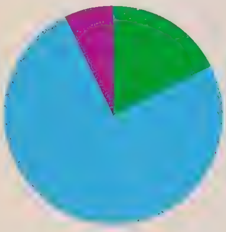
In 1992, most Asian economies continued to flourish, growing at a healthy rate of 7 percent. The notable exception was Japan, which experienced growth of less than 2 percent. In the next few years, Asia is expected to be the fastest growing market in the world. Thailand, in particular, has outpaced the economic growth rates achieved by most other nations.

As the most rapidly expanding regional market for Canadian exports, Asia/Pacific is brimming with opportunity. In 1992, Canadian exports to this region amounted to close to $16 billion, largely comprising natural resources. Despite sluggish demand conditions in Japan, Canadian exports increased 4 percent.

To help the region sustain its growth rate, infrastructure projects will remain a priority area for investment for virtually all Asia/Pacific countries. Opportunities will be greatest in transportation, communication, and power generation and distribution, which are all areas of Canadian export strength.

EDC also supports environmental projects, as Canadian companies recognize the increasing importance of the environment and the number of business opportunities it generates around the world. A recent transaction supported by EDC was the sale of equipment and services for a municipal water treatment plant in Wuhan City, Hubei province, China. The sale was concluded by BCA Industrial Controls Limited of Surrey, British Columbia, working in partnership with Dresser Canada Inc. of Brantford, Ontario.

EDC Business in Asia/Pacific
(in millions $)



In 1992, EDC's support for transactions to Asia/Pacific accounted for 11 percent of the total Canadian exports to this region.

Japan was EDC's key insurance market in this region and the third most important insurance market overall. Demand for EDC's services in Japan grew 58 percent in 1992 as credit conditions worsened. Under EDC's short term insurance programs alone, the Corporation supported transactions valued at $413.7 million, with wood and meat figuring most prominently. Other important markets for EDC's insurance customers included Australia, India, China, Malaysia and Hong Kong.

Several Asian markets were important to Canpotex of Saskatoon, Saskatchewan, which concluded a number of potash sales throughout the region, and to SOFTIMAGE Inc. of Montreal, Quebec, which sells and supports 3D computer graphics software used in broadcast and film animation, architectural and scientific visualization, and product and industrial design.

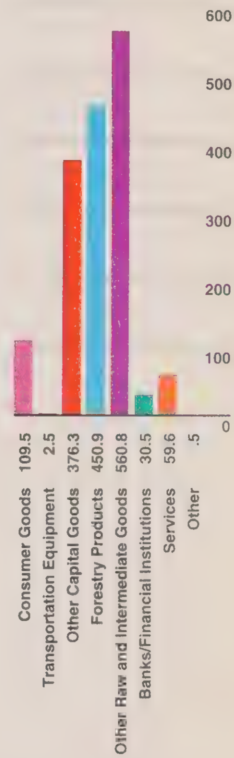
EDC's performance-related guarantees and insurance were particularly important to exporters in Asia/Pacific. This program protects exporters, financial institutions and surety companies against the risk of forfeiting the surety bonds that Canadian companies are required to post in many international projects. SaskTel International of Regina, Saskatchewan used this kind of EDC support in its sales of voice and data transmission services to the Philippines. These networks will provide a vital link for more than 250 Philippine communities.

As an export market, China has growing importance for Canadian exporters. EDC's line of credit with the Bank of China, in place since 1979, has been essential in encouraging a Canadian presence in this market.

In 1992, a limited concessional financing facility for China was renewed by the Government of Canada. Under this facility, in conjunction with the Bank of China line of credit, the Government of Canada, through EDC, has supported companies demonstrating a commitment to China and solid prospects for conducting future business on non-concessional terms. Total financing concluded under this combined facility in 1992 was $559 million. Typical of these companies is Feed-Rite Ltd. of Winnipeg, Manitoba, which concluded a sale to a Shanghai buyer for the transfer of feed technology and premix plant equipment.

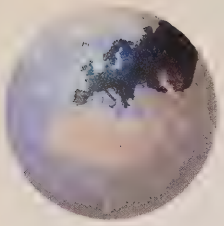
EDC believes that continued economic reforms and decentralization in China will open up more opportunities for projects to be financed with cash, commercial loans and regular export credits. During 1992, EDC positioned itself for these changes by pursuing relationships with other key Chinese banks, which will enhance EDC's ability to support these commercially financed opportunities.

Business by Industrial Sector in Asia/Pacific
(in millions $)



▲ ***Turning fantasy into reality:*** *SOFTIMAGE's computer software brings animation to life in Japan and South Korea.*

Fertilizing Asian land: *Canpotex's potash enriches the soil in many Asian countries. Canpotex's Treasurer, Glen Shields (left) with EDC's Doug Gyles.*



Exploring Global Markets:
Europe

Flying high in Europe: Bombardier's Regional Jets now grace the skies for Lufthansa CityLine of Germany.

Western Europe:
Evolving Traditional Markets

Demand for imports in Western Europe was slow in 1992, as investment and consumer spending were dampened by high interest rates. The decline was particularly marked in the U.K., traditionally an important European market for Canada, where two years of recession have taken their toll. Despite poor demand conditions, Canadian exports to Western Europe increased 3 percent in 1992.

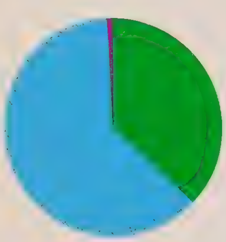
Western Europe was the fastest growing region for EDC's financing services. EDC's support was particularly strong for sales to the aerospace sector, and to a lesser extent, to the telecommunications and ground transportation sectors. EDC, the Canadian Imperial Bank of Commerce (CIBC) and a Japanese leasing company financed Bombardier Inc. of Montreal, Quebec in its first sale of its state-of-the-art Canadair Regional Jets to Lufthansa CityLine GmbH (a wholly owned subsidiary of Lufthansa GmbH of Frankfurt). EDC as lead lender worked with CIBC and the lessor to provide an aggressive financing package that included a Japanese leveraged lease — a financial structure available to companies with the highest credit quality.

For high-quality borrowers in sophisticated markets such as Europe, EDC's financing solutions offer critical support. EDC's flexible financing approach allows the Corporation to structure transactions to enable customers to effectively compete. Financing can include direct loans at either fixed or floating interest rates, debt financing for domestic and foreign leases, and credit enhancement or guarantee of debt securities. Western Europe accounted for $667.1 million in financing volume in 1992.

In 1992, as business failures mounted — most significantly in the Nordic countries, France and the U.K. — the risks of doing business in Western Europe heightened.

Demand was high for EDC's risk management services. EDC's insurance support for Western European sales increased 10.4 percent in 1992. Total insur-

EDC Business in Europe
(in millions $)



Export Financing	719.6
Export Insurance	1 208.0
Foreign Investment Insurance	2.5

ance volume in Western Europe was more than $1.1 billion. Based on insured volumes, EDC's top Western European markets were the U.K., Italy, France and Germany.

For Electrovert Ltd. of La Prairie, Quebec, several Western European nations have presented export opportunities. Electrovert's wave soldering equipment is in high demand in the U.K., France, Italy, Sweden and the Benelux.

During 1992, EDC's support for smaller companies was stronger than ever. Many smaller exporters tapping the potential in Europe turned to the protection offered by EDC's Export Credit Insurance program. To better respond to the needs of EDC's growing number of smaller customers, in 1992 EDC streamlined this policy and simplified the language. As well, EDC added more credit management tools to the policy, giving exporters more ways to approve their buyers' credit without having to refer to EDC.

Aqua Health Ltd. of Charlottetown, P.E.I. has focused on northern Europe to market its vaccines for aquaculture species. A strategic alliance with a European distribution firm has given Aqua Health an important foothold in this market. Many of Aqua Health's European sales have been supported by EDC.

Eastern Europe:

Opening New Export Windows

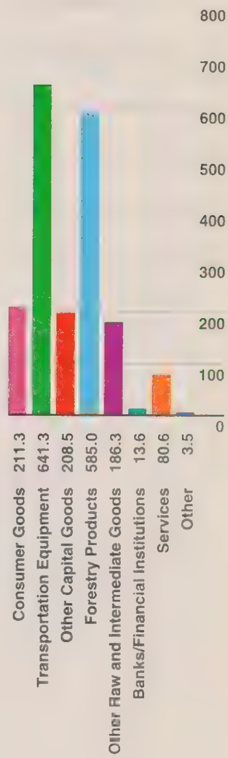
In much of Eastern Europe and the new states that emerged from the former U.S.S.R., the year saw another sharp decline in production, spiralling inflation and worsening unemployment. Growth declined on average by 15 percent in 1992, the worst of any region in the world. However, there are early signs that the economies of the new Czech republic and Hungary are responding to market reforms and are expanding trade with the West.

The potentially large marketplace of Eastern Europe attracted the interest of Canadian exporters in 1992, despite the risks in countries making the transition to market economies. Even given this environment, 10 Canadian exporters took advantage of the lines of credit established with banks in Hungary, Romania and the former Czechoslovakia to support transactions in such sectors as computer equipment and aircraft. In Poland, exporters used a short-term revolving insurance facility to export goods, such as chemicals and capital equipment, that will help develop that country's economy.

Other customers, such as KAO Infosystems Canada Inc. of Arnprior, Ontario, relied on EDC's insurance products. Using distributors in Eastern Europe, KAO has sold its computer diskettes in several markets.

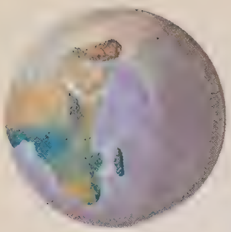
In this region, Canadian exporters also used EDC's Specific Transaction Insurance, which covers individual transactions involving sales of goods and services made on medium-term credit, either from the date of the contract or from the shipment of goods until the exporter is paid. Titan Industrial Constructors Ltd. of Calgary, Alberta, with the support of this insurance, successfully pursued an opportunity related to the privatization of the Hungarian oil sector.

Business by Industrial Sector in Europe
(in millions $)



Hooked on Europe: *Aqua Health's vaccine, mixed with food pellets, keeps farm-raised fish healthy in Europe.*

Saved by the disk: *KAO's computer diskettes assist businesses throughout Eastern Europe. KAO's Koshi Mita, Vice-President Operations (left); and Johanne Allaire, Manager, International Business (centre); with EDC's Howard McCourt.*



Exploring Global Markets:

Africa and the Middle East

Levelling the competition: *Champion Road Machinery's graders work the land in Kenya and Tunisia.*

Africa:

Charting a Difficult Course

Africa's growth was one of the smallest among developing markets in 1992. In sub-Saharan Africa, chaotic climate conditions, political upheavals and civil wars affected some countries, while poor management and inappropriate economic policies undermined the economic strength and financial viability of several others. Canadian exports to Africa declined 16 percent, largely because of decreased exports to Algeria and Morocco.

Champion Road Machinery, based in Goderich, Ontario, is one company that EDC worked with to help manage risk in these complex conditions. Champion successfully sold motor graders and parts to Kenya and Tunisia with EDC's support.

EDC's total insurance volume in Africa was $230.5 million.

In markets that are difficult for Canadian exporters to penetrate, EDC demonstrated that innovative financing can overcome significant economic and political risks. For example, in Zambia, EDC was able to support a sale of diesel electric locomotives by General Motors' Diesel Division of London, Ontario, by working with Meridien International Bank Limited of Nassau, Bahamas as an intermediary partner. The bank, which has extensive experience and market presence in Africa, assumed the direct lending obligation to the buyer. By identifying the bank as a partner and negotiating an appropriate framework, EDC was able to respond to the needs of GM Diesel in securing an export opportunity. In 1992, total financing volume in Africa reached $108 million.

The Middle East:

A Significant Export Market

Canadian exports to Middle Eastern countries declined by 15 percent in 1992. This was largely because of a significant fall in exports to Kuwait, which had climbed dramatically in 1991 after the Gulf War.

In contrast to the economic conditions in Africa, the economies of major markets in the Middle East continued to

EDC Business in Africa and the Middle East
(in millions $)

grow over the past year, driven primarily by more investment spending. Although this region has recovered from the major economic effects of the Gulf War, some economic and political repercussions of the war continued to linger throughout the year. Oil prices remained soft as Saudi Arabia and other producers increased oil production to fill the gap created by the absence of Iraqi oil exports.

The Middle East remained a significant market for EDC's customers. Many Canadian exporters were interested in Iran, which continued to be a challenging market. EDC's support in Iran was primarily through various insurance programs, under which volume climbed more than 200 percent in 1992. The majority of sales supported under this program were for wheat. EDC also supported some medium- and long-term business in Iran.

Among those insurance products essential in protecting exporters selling to the Middle East was Performance Security Insurance. Nautical Electronic Laboratories Limited (Nautel), of Hackett's Cove, Nova Scotia, was supported by this program in its sale of radio transmitters to a buyer in Iran.

Documentary Credits Insurance is another product of growing significance in the Middle East. This program protects Canadian banks against the commercial and political risks related to documentary credits issued by foreign banks as payment for Canadian export transactions. EDC's long-established partnership with Canadian banks under this program has proven to be valuable for Canadian exporters.

The opportunities in Kuwait's reconstruction projects also attracted the interest of many Canadian exporters. Late in 1992, EDC financing was made available through a new US$500 million line of credit with Kuwait. Throughout 1993, this line of credit will be an important source of financing for Canadian exporters seeking to access the Kuwaiti market.

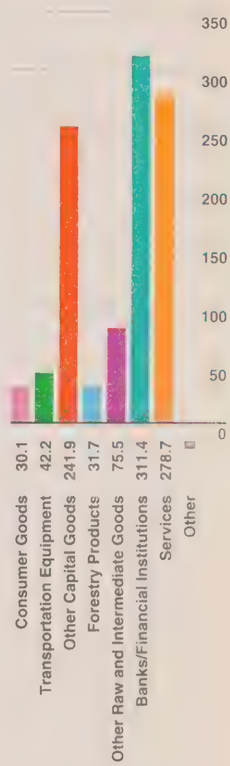
The total business volume insured in the Middle East was $557.4 million. Of the total Canadian exports to the Middle East, EDC supported 54 percent.

Toward The Future

During this period of changing political and economic conditions around the globe, EDC's support and expertise have been crucial to a great number of Canadian companies. In the dynamic and highly competitive international marketplace of tomorrow, EDC's comprehensive risk management and financing services will play an even greater role. Throughout 1993 and into the 21st century, EDC will continue to be a fundamental part of the export strategy of many Canadian companies as they explore global markets.

Business by Industrial Sector in Africa and the Middle East

(in millions $)



On track in Africa: *GM Diesel Division's electric locomotives haul copper in Zambia*

Sending clear export signals: *Nautel's radio transmitter signals fill the airwaves in Iran. Nautel's President, David Grace (right) with EDC's Stephen Dempsey.*

Corporate Performance

EDC's 1992–1996 Corporate Plan, a summary of which was tabled in the House of Commons in March of 1992, established the Corporation's key business targets. The indicators of EDC's performance in these areas are the volume of Canadian export business supported by the Corporation, and the resulting financial impact on EDC's net income.

EDC's achievements against these Corporate Plan targets are outlined below.

(in millions $)

	1992 Actual	1992 Plan	1991 Actual
Business			
Export Financing Volume	**2,066**	1,400	1,411
Export Insurance Volume	**6,590**	5,384	5,078
Total Business Volume	**8,656**	6,784	6,489
Total Net Income	**44**	49	33

Financial Highlights

For the Year

(in millions except percentages
and share amounts)

	1990	1991	% Increase	1992	% Increase
Net earnings	$ 6.30	$ 32.72	419	$ 44.18	35
Net earnings per share	0.82	4.15	406	5.60	35
Net earnings to averaged					
*Assets	0.09%	0.48%		0.57%	
*Shareholder's equity	0.82%	4.02%		5.16%	

(*Average of monthly
balances during the year)

At Year End

(in millions except percentages
and share amounts)

	1990	1991	% Increase	1992	% Increase
Corporate assets	$ 7,040	$ 7,168	2	$ 8,107	13
Loans receivable	5,978	6,496	8	7,363	13
Shareholder's equity per share	101.81	105.94	4	111.52	5

Financial Performance

Net income of $44.2 million, after making increases of $171.8 million to the provisions for loan losses and claims, finished the year close to Corporate plan and $11.5 million above the profit reported a year ago. Both the lending and insurance operations made a positive contribution towards the reported net income.

Export Financing

New direct financing agreements concluded under Corporate Account totalled $2,066 million, which was 148 percent of the 1992 plan amount of $1,400 million. Reschedulings signed during 1992 totalled $931 million.

Export Insurance

Corporate Account business totalled $6,590 million for the year ended December 31, 1992 which was 122 percent of the 1992 target of $5,384 million. Gross premiums of $40.2 million were 134 percent of the 1992 Corporate plan of $30.0 million.

Management's Discussion and Analysis

This part of the Annual Report provides an explanation and interpretation of EDC's (Export Development Corporation's) financial performance, present financial condition and prospects for the future from Management's point of view. Also presented is a discussion of how EDC manages credit, liquidity, foreign exchange and interest rate risk relating to both balance sheet and off-balance sheet activities.

Corporate Strategy

In 1992, EDC's operational environment gave rise to a set of opportunities and challenges for the Corporation. The forecasted strong export growth in industry sectors where EDC already possesses relatively high market share; the buoyant outlook for capital goods and infrastructure projects; the forces of globalization and technology; continued global capital shortages; the continued difficulty in accurately predicting political and commercial risks in isolated Lesser-Developed Countries (LDCs); the constantly changing demands of successful Canadian exporters – all of these factors shape the Corporation's strategic planning and, ultimately, form the backdrop against which EDC's business targets are developed.

Customer Satisfaction

The first and overriding strategic goal is that EDC will plan and act with the recognition that Customer Satisfaction is fundamental to every aspect of our business. This strategic goal assumes that Customer Satisfaction – the label EDC has attached to the Total Quality Management commitment embarked upon in 1991 – is the only way to carry out our mandate to facilitate and develop Canadian export trade. In short, EDC wants to retain and create more satisfied customers with the ability to carry out more export business in partnership with EDC.

Positive Financial Results

The second strategic goal is to continually strive for positive financial results, on the premise that the only way to ensure long-term competitive support to customers is by securing a solid financial foundation – notably, the Corporation's capital base (defined as paid-in capital plus the Corporation's retained earnings). This strategic goal recognizes the critical business realities for EDC: first, every export transaction financed by EDC must be funded by the Corporation's treasury operations within the legislated borrowing limit of 10 times the value of the capital base; and, second, in a tight fiscal environment, EDC does not feel it should rely exclusively on the Government of Canada to maintain the required capital base.

Balanced Spread of Risk

The third strategic goal is to develop a spread of risk in the insurance and loan portfolios which maximizes support to our customers while preserving financial health. This goal is in support of EDC's objective to increase its assistance to exporters across the board while doing as much as possible with the resources at its disposal.

Enhance Bench Strength

The Corporation's fourth strategic goal is to invest in its people in order to provide value to the customer and enhance our core competencies. Core competencies are defined as a corporate-wide set of skills which cut across most products and services in an organization and which provide sustainable comparative advantage. EDC is in the financial services industry, and without the right training and support systems for our staff at all levels, we will not be able to meet our business and financial targets.

Business Targets for 1992

EDC's business targets in 1992 were considered against the backdrop of the Customer Satisfaction initiative. Accordingly:

1. The volume of business planned for 1992 was $6,784 million, with planned increases of 8 percent per year thereafter to 1996;
2. EDC would strive to increase our customer base; and
3. EDC would further improve operating efficiency.

Target Performance Indicators and Actuals

The success of the Corporate strategies in 1992 is measured by the achievement of the Corporate objectives. In this respect, indicators have been developed for EDC's business volume projections and the resulting financial impact on the Corporation's net income. Effectiveness and efficiency indicators have also been developed to reflect Corporate performance. These indicators and actual results appear below:

Target Performance Indicators

1992 Corporate Plan and Actual

Business (in millions $)	Plan	Actual
Export financing volume	1,400	2,066
Export insurance volume	5,384	6,590
Total Business	6,784	8,656

Corporate Account Income Statement

(in thousands $)

	1992 Plan	1992 Actual
Loans and Guarantees		
Interest earned	503,569	485,932
Interest relief arrangements	43,800	31,280
Fees earned	33,010	42,134
	580,379	559,346
Less: Provision for losses	12,446	152,794
	567,933	406,552
Insurance and Guarantees		
Premium and fees earned	30,493	38,803
Less: Provision for claims	15,246	19,051
	15,247	19,752
Investment interest earned	78,982	62,165
Interest expense	564,909	398,911
Administrative expenses	48,453	45,380
	613,362	444,291
Net income	48,800	44,178

As illustrated in the comparison above, the significant impact of decreasing interest rates during the year was mainly responsible for lower than planned levels of Interest earned, lower Interest relief arrangements, lower Investment interest earned, and is also reflected in greatly reduced Interest expense.

Operating Results and Financial Condition

Overall, business indicators and percentages show substantial growth in 1992. The Corporation feels that the results are reflective in part of the successful implementation and positive impacts of the Customer Satisfaction initiatives and the Total Quality Management commitment programs. EDC's objective is to continue these programs into 1993 and beyond in order to contribute to the increasing successes of Canadian exporters while continuing to strive for positive financial results.

Segmented Operations

EDC's operations can be characterized as having three distinct but inter-related segments of activities. These are:

Lending activities – Export Financing Operations
Insuring activities – Export Insurance Operations
Funding, Liquidity and Risk Management – Treasury Operations

Lending Activities – Export Financing Operations

A number of strategies and projects were planned in 1992 in order to grow and diversify EDC's export financing business in a manner consistent with customer needs. The Corporation targeted commercial financing opportunities in selected markets which were not generally considered to be commercial in nature; explored developing strategic linkages with selected institutions; diversified the sectoral and market focus of its business through market intelligence and market/sector targeting; and pursued and refined flexible and innovative lending services.

As a key target performance indicator in Export Financing, the results in volumes were as follows:

New Signings

(in millions $)

	1991	**1992**
Total signings	1,411	**2,066**
Signings plan for the year	1,100	**1,400**
Percentage signings to plan	128%	**148%**

The total signings volumes of $2,066 million included 47 transactions over $10 million which accounted for $1,910 million or 92 percent of the signings to date. There were 53 transactions between $1 million and $10 million and 54 transactions under $1 million. Thirteen lines of credit were signed amounting to $2,549 million and 12 reschedulings totalling $931 million were signed in 1992 consistent with the business objectives set out for the year. It is to be noted that 73 percent ($1,517 million) of signings in 1992 were commercial loans, and this trend is expected to continue into 1993 and beyond.

Effective Return

	1991	**1992**
All-in yield (US fixed rate loans)	10.14%	**9.69%**
All-in spread (US floating rate loans)	1.58%	**1.87%**

The year's fixed rate loans signings were significantly impacted by an Aerospatiale/Bombardier transaction amounting to $254 million. There were four major floating rate loan signings: McDonnell Douglas (USA)/McDonnell Douglas for $455 million, British Aerospace/Pratt & Whitney for $143 million, Cessna Aircraft/Pratt & Whitney for $127 million, and Bank Melli Iran/KSH for $116 million. Large sovereign loans in Venezuela, Thailand, Algeria and China will result in a significant contribution to income from related fees.

Revenues

For the year ended December 31
(in millions $)

	1990	1991	1992	Growth (Decrease) 1992 over 1991 %
Loans and guarantees				
Interest – Accruing	448.2	406.2	**396.7**	**(2.3)**
– Cash receipts	15.1	34.7	**89.2**	**157.1**
Fees	39.5	42.3	**42.1**	**(0.1)**
Interest relief	—	29.3	**31.3**	**6.8**
	502.8	512.5	**559.3**	**9.1**

The lending operations contributed $31.6 million to the Corporate profit of $44.2 million after charging $152.8 million to the allowance for loan losses. As illustrated above, the trend toward decreasing interest rates throughout 1992 resulted in lower revenues earned from the floating rate portion of the loans receivable portfolio, as well as lower than planned interest relief revenues. These reductions were offset in part by $89.2 million of interest payments from non-accruing loans, mainly in Brazil, Argentina, Egypt, Yugoslavia and Poland, which were not planned. The trends toward lower levels of interest recorded on an accruing basis, and higher levels of interest recorded on a cash basis have been established over recent years and is the result of lower levels of interest rates on new loans signings and floating rate loans, increasing levels of non-accruing loans (e.g. Brazil, Yugoslavia, C.I.S.), and the success of the Corporate collection efforts and strategies to reschedule and restructure troubled loans in order to maintain and increase cash flows for positive results. It is difficult to predict if these trends will continue at the same levels in the foreseeable future; however, the Corporation intends to pursue similar strategies in 1993.

Loan Interest Margins Before Loan Loss Provision

	1988	1989	1990	1991	1992
Loan Interest and Fees	6.8%	9.6%	8.6%	7.2%	**7.3%**
Interest Expense	5.6%	8.0%	7.1%	6.1%	**5.4%**
Net Margins Before Extra Loan Income	1.2%	1.6%	1.5%	1.1%	**1.9%**
Debt Relief	N/A	N/A	N/A	0.5%	**0.4%**
Interest from Non Accruing Loans	N/A	N/A	0.2%	0.5%	**1.2%**
Net Margins	1.2%	1.6%	1.7%	2.1%	**3.5%**

Net interest margins have more than doubled since 1988, finishing the year with a positive spread of 350 basis points.

To date, the return on average loan assets since 1988 has improved significantly, up 200 basis points. This improvement is largely a result of the inclusion of $120.5 million extra loan income ($89.2 million interest receipts on non-accruing loans and $31.3 million as interest relief arrangements for Polish and Egyptian debt) which contributed 160 basis points to the overall results for 1992.

As outlined in Note 1 to the Financial Statements, the Government of Canada has undertaken to compensate the Corporation fully for any financial consequences arising from the Government's participation in multilateral activities to provide debt and debt service reduction. As a result of agreements reached between the Government of Canada and the Governments of Egypt and Poland, EDC has received compensation in 1991 and 1992. The longer term outlook for the continuation of these arrangements is not clear at this time, and cannot be predicted with any certainty. However, EDC will continue its strategy of vigorously pursuing the collection of all amounts due from borrowers as set out in related loan agreements.

Productivity

For the year ended December 31
(in millions $)

	1988	1989	1990	1991	**1992**
Income before provisions	98.9	84.6	102.3	149.6	**216.0**
Administrative expenses	36.8	38.0	39.4	42.7	**45.3**
% Expenses to income before provisions	37.2	44.9	38.5	28.5	**21.0**
Total business volumes	5,058.6	5,742.4	6,119.6	6,515.2	**8,670.5**
Average employee strength (person years)	492	500	514	513	**512**
Business volume per employee	10.3	11.5	11.9	12.7	**16.9**

Loans Receivable

As at December 31, 1992, EDC's total assets were $8.1 billion, an increase over the 1991 level of $7.2 billion. The increase of 12.5 percent was mainly due to increases in loans receivable. The export loan portfolio is as follows:

	1991	**1992**
Loans receivable (in millions $)	6,496	**7,363**
Fixed rate	62%	**58%**
Floating rate	38%	**42%**

Total loans receivable have increased by $867 million in 1992. The proportion of loan assets at floating rates has increased reflecting the fact that 64 percent of the current year's signings have been at floating rates.

Undisbursed Commitments and Disbursements

Estimated Effective Fixed Rate Yields:

The yields on the fixed rate undisbursed commitments have remained relatively constant. The funding spread on disbursements increased in 1992 due to a decrease in funding costs. This decrease is primarily due to a $300 million borrowing with an all-in cost of 5.96 percent which was entered into in the third quarter of 1992.

Volumes and Fixed/Floating Rate Mix:

	1991	1992
DISBURSEMENTS		
Volume (in millions $)	1,494	**1,694**
Fixed/Floating rate mix		
Fixed rate	53%	**50%**
Floating rate	47%	**50%**
UNDISBURSED COMMITMENTS		
Volume (in millions $)	1,860	**2,279**
Fixed/Floating rate mix		
Fixed rate	86%	**54%**
Floating rate	14%	**46%**

NON-ACCRUING LOANS RECEIVABLE

As at December 31, $1.9 billion of loans receivable were classified as non-accruing, an increase of over $200 million compared to the 1991 total of $1.7 billion. This increase is mainly attributable to the rapidly changing circumstances occurring in Europe, principally Yugoslavia and the C.I.S., as well as the associated political and economic impacts of these events. As the situation stabilizes, EDC expects that some form of regular repayment flows on these loans will be restored in due course. The Corporation's strategy toward restructuring, rescheduling and collection efforts is yielding increasing cash flows on the non-accruing portfolio, and this strategy will continue into 1993 and beyond.

ALLOWANCE FOR LOSSES ON LOANS

EDC establishes specific allowances for losses on a loan by loan basis where considered necessary. As well, a general allowance for commercial and sovereign loans is maintained based on Management's best judgement of future losses based on current economic conditions. In 1992, $152.8 million was set aside in the allowance for losses on loans, bringing the total of the allowance to $608.9 million, an increase of 35.6 percent over the 1991 level of $449.2 million. This allowance, in Management's opinion, is adequate to absorb all known and anticipated losses which may result from any further deterioration in EDC's sovereign loan portfolio, as well as reflecting the increased risk inherent in the growing commercial loans portfolio. These trends can be expected to continue into 1993.

LOANS PAYABLE

In order to fund the increases in Corporate assets, loans payable increased to $6.7 billion, or 13.6 percent over 1991 amounts of $5.9 billion. In accordance with the Corporate funding strategies, these borrowings effectively minimized cost of funds, which is reflected in interest expenses decreasing over the year and contributed to the favourable earnings results. As well, the strategies were aimed at ensuring adequate Corporate liquidity.

A key contributor to profitability of the Corporation during the year has been the decrease in funding costs. Although loans payable increased to $6.7 billion (1991 – $5.9 billion), interest expense has decreased from $417.6 million in 1991 to $398.9 million in 1992. This is reflective of generally decreasing interest rates on debt, EDC's superior credit rating, as well as the success of the funding strategies employed by the Corporation.

Insurance Activities – Export Insurance Operations

In 1992, particular attention was placed on developing closer relationships with key customers and prospective key customers; refining underwriting and risk management techniques to stay at the forefront in balancing risk in a changing environment; maximizing the use of automation, especially in servicing small regional accounts; and improving internal insurance-related processes to achieve greater efficiency and reliability. The Corporation also placed priority on gathering market intelligence and attempted to ensure that insurance products enhancement and development was based on the voice of the customer.

As a result, in 1992 EDC provided a total of $6,590 million in insurance coverage for exporters' goods, services and foreign investments, a 30 percent ($1,512 million) increase in business volumes from last year, and finished the year at 22 percent ($1,206 million) above plan. The Insurance Operation generated $12.6 million of the total Corporate profit of $44.2 million, compared to plan of $1.8 million. As in the past, Short Term credit insurance was utilized for the largest share of exports supported this year, amounting to $5,341 million or 81 percent of the total insurance provided.

Insured Volume

As at December 31, 1992
(in millions $)

	1991 Actual	**1992 Plan**	**1992 Actual**	**% of Plan Achieved**
Short Term	3,891	**3,980**	**5,341**	**134%**
Medium Term	1,187	**1,404**	**1,249**	**89%**
Total	5,078	**5,384**	**6,590**	**122%**

As in the case of volumes, gross premiums finished the year at 34 percent above its target and 48 percent above the level achieved a year ago.

Gross Premiums

As at December 31, 1992
(in thousands $)

	1991 Actual	**1992 Plan**	**1992 Actual**	**% of Plan Achieved**
Short Term	16,456	**15,822**	**27,011**	**171%**
Medium Term	10,742	**14,148**	**13,141**	**93%**
Total	27,198	**29,970**	**40,152**	**134%**

1992 proved to be very successful year for the Short Term Insurance Operations with business volumes totalling $5,341 million, 34 percent above its 1992 target and 37 percent above the level achieved a year ago. Similarly, gross premiums of $27 million exceeded its 1992 target by 71 percent and it also exceeded last year's premium levels by 64 percent. As in the past, the Global Insurance program was utilized for the largest share of short term exports supported this year, amounting to $4,407 million or 82 percent of the total insurance provided. The 1992 results for all Short Term insurance services demonstrated a dramatic increase in the use and value of services over the 1992 plan and over 1991 business.

It should be noted that there has been a shift in this year's business into better risk markets — which accounts for 70 percent of this year's business compared with 66 percent for 1991. Significant increases in cover to Germany, Japan, the United Kingdom and the United States (up in total by $1,206.4 million over the previous year) account for this improved trend.

Overall results for Medium Term Insurance Operations in 1992 can be characterized as showing positive growth, volumes were up 5 percent over 1991 levels and gross premiums were up 22 percent. Compared to 1992 targets, volumes finished at 89 percent of plan and premiums reached 93 percent of its target. The reason gross premiums finished the year closer to plan than its corresponding volumes is because a large portion of this year's business (64 percent) was in higher risk markets where higher premium rates are levied commensurate with higher risks.

Allowance for Claims on Insurance

The Allowance increased $11.3 million during the year from $86.1 million to $97.4 million. This is reflective of the increased Medium Term exposures in higher risk markets, as well as a recognition of the very large exposures in Foreign Investment Insurance policies that are individually in excess of $100 million.

Accounts Administered for Canada

Under the Export Development Act, Accounts administered for Canada may have outstanding loans and undisbursed loan commitments to foreign borrowers up to a maximum of $6.0 billion. The loans extended on behalf of the Government under these Accounts are written under the same financing principles as loans under the EDC Account, but are funded through Government allocations from the Consolidated Revenue Fund. EDC administers these allocations but the Consolidated Revenue Fund is liable for any losses and receives principal and interest payments after deduction by EDC of associated administrative costs. Certain of these funds may be made available at reduced interest rates. These funds are to be used, in combination with EDC's own funds, to provide concessional financing terms, where necessary, to match "credit mixte" forms of subsidized financing offered by competitors. Credit mixte is an export financing device which mixes concessionary financing with conventional export financing to produce low blended interest rates.

Export Financing

New direct financing agreements concluded for the year ending December 31, 1992 under Canada Account totalled $551 million, of which $461 million was signed under consensus terms and $90 million under concessional terms. In 1992, $259 million Corporate Account loan signings, at consensus rates or higher, were linked to Canada Account, including $115.7 million for one transaction in Iran. This compares to $99 million in 1991.

As at December 31, 1992, actual disbursements amounted to $389 million of which $124 million were for concessional loans and $265 million for loans signed under consensus terms. Undisbursed commitments as at December 31, 1992 stands at $566 million compared with $341 million a year ago.

Principal repayments for the period ending December 31, 1992 were $145 million, $76 million above last year's level of $69 million. Loans receivable now stands at $1,856 million, which is $408 million above the level a year ago of $1,448 million.

Export Insurance

Under the Export Insurance Operations, the volume of insurance and related guarantees provided for during 1992 amounted to $282 million, a $189 million increase from the level in the corresponding period last year of $93 million.

Funding, Liquidity and Risk Management – Treasury Operations

EDC continues to pursue a funding strategy designed to minimize its cost of funds, maintain its liquidity to ensure timely servicing of all obligations, and manage the risk of asset and liability mismatches. EDC matches funds on an aggregate basis, maintains a presence in a number of long and short-term credit markets, and borrows at rates consistent with the Corporation's AA+ credit rating.

On October 14, 1992, the New York based rating agency, Standard & Poor's, downgraded Canada's U.S. dollar debt which effectively lowered EDC's rating to AA+ from AAA. Subsequently, on January 28, 1993, Moody's Investor Services affirmed the Government of Canada's foreign currency credit rating as AAA. While it is too early to measure the full impact of these moves, EDC will continue to aggressively seek attractive funding opportunities in the capital markets.

Funding

It is the policy of EDC, approved by the Government of Canada, to fund its capital requirements in international and domestic markets through borrowings by any means, including issuing bonds, debentures, notes and other evidence of indebtedness.

EDC funds generally when it requires cash, rather than at the time of commitment on lending rates for loan assets, so that it may avoid the cost of negative carry, or the cancellation or deferment of contingent assets. In cases where a fixed rate commitment is to be disbursed over an estimated period, EDC will actively hedge the position to minimize the interest rate risks.

EDC normally minimizes its fixed-rate bridge financing or warehousing positions, although sometimes for strategic reasons the Corporation will borrow short to finance loans receivable when medium-term rates are high or borrow in advance at fixed rates when medium-term interest rates are low.

The 1993 level of aggregate new borrowings is anticipated to be $1.5 billion. If EDC begins to finance major new transactions during 1993, or if favourable market conditions dictate the pre-funding of 1994 requirements or a portion thereof, then EDC's borrowings may increase. During 1993, outstanding borrowings may thus increase by a further $750 million as a result of increased disbursement volume or pre-funding of 1994 requirements.

Liquidity

EDC maintains Corporate liquidity sufficient to meet its general operating requirements. Such funds are invested in bank deposits and securities of, or guaranteed by, Canada or the governments of other countries approved by EDC's Board of Directors and the Minister of Finance. As December 31, 1992, liquid assets, of $1.2 billion, which are comprised mostly of short term deposits and marketable securities, amounted to 14.8 percent of total assets, up from $.9 billion or 13.9 percent of assets a year ago.

Despite generally higher average levels of cash and marketable securities during the year, the trend towards decreasing interest rates on short term investments resulted in a decrease in investment income in 1992 to $62.2 million from $67.4 million in 1991.

The Corporation continuously issues short-term paper (maturing in less than one year) by means of North American-based Canadian and U.S. Dollar commercial paper programs. A European-based Money Markets Registered Claims program, offering Swiss Francs, European Currency Units and Canadian Dollars is utilized as a means of supplementing the U.S. commercial paper program.

The amounts and uses of short-term borrowings are a function of both the Corporation's financial dynamics and the capital and money markets. Thus, proceeds from short-term borrowings will be used in varying amounts for Corporate cash requirements, funding disbursements on an interim basis until replaced by medium- or long-term financing, funding floating rate assets when and if required, and for investing in the most effective manner possible in bank deposits and securities of or guaranteed by Canada, or the governments of other countries. The level and uses of short-term borrowings are determined on an on-going basis, as required, to support the business activities of the Corporation.

Risk Management

EDC and the Department of Finance have reached agreement with respect to the framework and guidelines for managing EDC's exposure to interest rate risk and to foreign exchange risk. The Asset/Liability Management Committee, which meets on a quarterly basis, monitors EDC's management of Corporate risk and compliance with risk guidelines.

Interest Rate Risk

It is EDC's policy to control interest rate risk exposure such that the exposure will not exceed 35 percent of projected Net Interest Income (basically defined as loans revenues less interest expense) for any year within the Corporate planning horizon, given an immediate and sustained interest rate shock of +/- 200 basis points. In 1993, interest rate risk exposure is calculated to be +/- 7.6 percent of Net Interest Income. EDC will generally endeavour to match the projected term to maturity of its asset/liability portfolios. Specifically, EDC will manage the maturity structure of its existing assets and liabilities such that the difference between maturing fixed rate assets (including signed but undisbursed loans) and liabilities in any given year will not exceed $250 million in any currency and for the portfolio as a whole without further consultation with its Board of Directors. In 1993, the differences between the projected terms to maturity of the portfolio are well within this guideline. In addition, the difference between the weighted average term to maturity of EDC's fixed rate assets and liabilities will not exceed two years.

It is EDC's policy to measure the existing and potential exposure to interest rate risk through the enhancement of existing measurement systems and the development of new systems. It is the Corporation's view that the evaluation of risk exposure is optimized through the use of a number of analytical methodologies, including gap reporting, duration analysis and simulation modelling. In order to support this approach, EDC is developing a comprehensive asset/liability management system to assist the Corporation in measuring, managing and reporting financial risk.

EDC believes that prudent management of portfolio interest rate risk, rather than a matching of individual assets with specific liabilities, is the optimal method of maintaining management flexibility and minimizing borrowing costs.

Foreign Exchange Risk

Utilizing foreign exchange shocks of +/- 2 standard deviations to exchange rates related to Corporate exposures, EDC will control foreign exchange exposures to limit potential foreign exchanges losses to within 15 percent of projected annual Net Interest Income. This limit is separate from the 35 percent of Net Income permitted for interest rate risk. The total risk position for both foreign exchange risk and interest rate risk is limited to 40 percent of projected annual Net Interest Income.

As at December 31, 1992, the impact of a +/- 2 standard deviation shock to foreign exchange rates applied to existing Corporate exposures (differences between assets and liabilities according to the Balance Sheet) was Cdn. $5.5 million. This represented approximately 3.5 percent of Net Interest Income for 1992.

EDC endeavours to create liabilities in non-U.S. or Canadian Dollar currencies ("third currencies") matching those of its loans receivable so as to minimize foreign exchange exposure. EDC may use third currencies that have a close correlation with each other as cross-currency hedges.

EDC will also enter into hedges and swaps that will protect the Corporation from interest rate and currency movements. In order to minimize the risk of counterparty default, EDC only deals with financial institutions having credit ratings of AA or higher. This policy applies to off-balance sheet transactions, as well as liquidity investments. The contracted or notional principal amounts associated with these instruments is detailed in Note 12 to the Financial Statements.

Outlook and Uncertainties

The Export Environment

Canadian export activity is broadly conditioned by the following factors:

1. Trends in international demand conditions in Canada's major markets;
2. The relative movement of the Canadian dollar and Canadian costs and prices; and
3. Institutional changes in major markets.

International Demand Conditions

EDC expects that Canadian exporters will be operating in a gradually improving international market place over the foreseeable future. The Corporation anticipates that world demand will show a modestly accelerating trend through to 1996. Overall, however, international growth in the foreseeable future is not forecast to be much different, on average, than what was achieved in recent years.

Canadian Competitiveness

The outlook is for a continued improvement in Canada's competitive position during 1993. Canadian exporters have been able to better control costs, and to achieve higher productivity gains. As a result, differential unit labour costs relative to Canada's major competitors are expected to decline somewhat. In addition, Canadian exporters have benefited from a decline in the value of the Canadian dollar.

Institutional Arrangements

The threat of a deterioration in trade relations is of concern given the increased importance of trading blocs and the recent increases in protectionism evident in recent commercial policy trends amongst industrialized countries. These policies are manifesting themselves in trade-distorting bilateral arrangements such as voluntary import/export restraints and anti-dumping and countervailing duty activity. Although the latter types of protectionist activity are much more visible, the impact of bilateral-managed trade between the U.S. and Japan has also had an impact as Japan diverts purchase orders from Canadian sellers to those in the U.S. in an effort to reduce their bilateral trade surplus. While some of these pressures will abate in the foreseeable future, trade frictions will continue to be a feature of the business landscape over the 1993–1997 period and, to the extent that they are managed bilaterally without Canadian interests taken into account, the risk of outcomes injurious to Canadian exporters is high.

Canadian Export Outlook

Our forecast for Canadian merchandise exports calls for an average annual growth of over 9 percent in 1993 and about 7 percent over the 1994–1998 period, an improvement over the 3.7 percent per annum growth achieved during the 1987–92 period.

Sovereign Risk; Short-Term Payments

EDC is concerned with two major aspects of sovereign risk: first, the impact on short-term payment delays due to transfer difficulties; second, possible debt rescheduling of countries with good payment experience or changes in the cut-off date of debtor countries in the midst of difficulties.

One of the major advantages of the present Paris Club debt rescheduling procedure is that short-term trade debt has traditionally been excluded from the reschedulings and has normally been paid on time. Given the outlook for an improvement in the economic growth for the LDCs as a group and a restoration of greater stability in their external accounts over the medium term, we see no compelling reason to forecast a deterioration in the overall risk associated with short-term payment arrears. In contrast to the difficult liquidity problems experienced by many LDCs over the 1989–91 period, there is reason to believe that, in aggregate, short-term risk will likely moderate over the medium term, although the situation for individual countries may, in fact, worsen.

Sovereign Risk; Medium- and Long-Term Payments

The aggregate measures of LDC debt burden have shown considerable improvement since 1986, reflecting reduced borrowing, improved economic performance, gradual improvement in external accounts, particularly among the heavily indebted developing countries, and the impact of debt-reduction operations including the substantial reschedulings by the commercial banks and official creditors and the write-off of Official Development Assistance (ODA). Total external debt of all the developing countries relative to exports of goods and services has moderated from the peak of 155 percent in 1986 to an estimated 125 percent in 1991, and is expected by the IMF to further decline to 115 percent in 1993. In addition, their debt service ratio declined steadily from 20 percent in 1986 to an estimated 15 percent in 1991 and is projected to fall to about 13 percent by 1993.

The International Monetary Fund in its medium-term scenario projects an improved outlook for the developing countries on the basis of a gradual recovery among the industrialized countries, a marginal improvement in the developing countries' terms of trade and additional financial flows to the developing countries. The latter includes a continuation of the resumption in commercial bank lending of recent years and the pick-up in some countries non-debt-creating flows, including foreign direct investment and the return of flight capital.

However, while the aggregate indicators point to improvement in the debt problem for developing countries as a group, the burden of indebtedness remains an onerous one for many individual countries. This is particularly true for many countries in Latin America, Africa, Eastern Europe and the CIS. Critical factors for continued improvement include the further opening up of their economies, the continued strengthening of economic stabilization and structural reform policies, and access to external financing and foreign investment. In connection with the latter, the crowding-out effect of global capital shortages will have the greatest impact on those countries where the burden of debt is still onerous.

Trends, Events and Commitments

The environmental and economic conditions within which the Canadian export community operates have a direct impact on EDC. Some of the key implications are discussed below.

EDC's Canadian export forecast, discussed earlier, augurs well for the growth of EDC's business volumes. The strongest export growth over the near future is forecast to occur in industry sectors where EDC has a relatively high market share – forest products, business services and capital goods.

In connection with our outlook for capital goods exports, both industrialized countries and LDCs are expected to increase investment expenditures at a strong rate. Global energy and infrastructure needs, especially in the Pacific Rim Newly Industrialized Economies, will be especially strong over the forecast period. Given Canadian competencies in these areas, opportunities for EDC financing and insurance support in this area are exceptionally good.

In confronting the forces of globalization and increased competition, the organizational strategy of Canadian exporters will increasingly be one of developing a "global reach and local touch". EDC, of course, will need to monitor closely and quickly respond to the evolving needs and challenges of our customers which result from globalization.

Global capital shortages will result in some crowding out of projects at the lower end of the risk/return scale. Since financing will assume larger proportions as a competitive factor, Canadian capital goods exporters will rely increasingly on EDC to finance higher-risk projects. At the same time the ascendance of the private sector – including privatization of infrastructure and reduced government ownership of production – will continue amongst LDCs throughout the planning period as a means for governments to obtain new sources of "off-balance sheet" capital and to instill efficiency through private-sector incentives. For EDC, this means that projects in LDCs will become more complicated and will require greater expertise, higher resource costs and longer lead times than previously. In response to these trends, EDC has initiated, and will vigorously pursue, the development of competencies and a reputation as a project lender (i.e., where the project and its cash flow represent the Corporation's fundamental security).

Target Performance Indicators

(in millions $)

	1992 Actual	1993 Projected	1994 Onwards
Export Financing volume	2,066	2,100	+ 5% per annum
Export Insurance volume	6,590	6,438	+ 8% per annum
Total Business	8,656	8,538	+ 7% per annum

Business Targets

EDC 's business targets in 1993 and beyond continue to be considered against the backdrop of the Customer Satisfaction initiative. Accordingly:

1. The volume of business planned for 1993 is $8,538 million, with planned increases of 7 percent per year thereafter;
2. EDC will strive to increase its customer base;
3. EDC will further improve operating efficiency; and
4. EDC will develop and implement a customer satisfaction index, to measure performance in this area.

Operational Strategies

Export Financing

EDC will continue to be active in supporting exporters' efforts in difficult markets, however, the ability to continue such support under Corporate Account in key markets is reaching its limits. The result is a continuing decline in business volumes in EDC's traditional financing markets in the lower- and middle-income countries. While many markets in Asia/Pacific will continue to represent the greatest import demand combined with good credit risk, EDC will be challenged in its ability to support Canadian exporters in these markets due to intense financing competition from other nations, and limited availability of concessional funds under Canada Account.

The transformation from centrally planned economies to market economies in many countries is expected to result in a much larger and sustained demand by the private sector for capital goods imports and export credit financing in a number of nations in Africa, Asia, Latin America and particularly Eastern Europe. The economic and political changes which are giving rise to these new opportunities are also complicating the assessment of the creditworthiness of borrowers in these regions. Credit agencies are moving cautiously into these new areas of private sector and project risk financing. EDC is further developing its risk assessment capacity to respond to these new challenges and will continue to adapt to these positive trends of privatization and project financing to better serve exporters. Over the medium to longer term, the credit risk assessment difficulties are expected to be resolved if the conversion to market economies, privatization and democratic institutions continues.

Exports financed by EDC to the better risk markets are expected to develop and grow in harmony with continuing efforts to assist Canadian exporters in meeting the specialized needs of borrowers in these sophisticated and demanding markets. In pursuing this type of business, EDC is also improving the quality of new loans added to the Corporate portfolio. Signings in OECD markets have made up for the decline in business volumes in traditional markets caused by the previously described problems, and have actually contributed to an overall increase in year-over-year signings.

In 1993, EDC will continue to implement and enhance strategies and projects in order to grow and diversify EDC's export financing business in a manner consistent with customer needs. The Corporation will seek commercial financing opportunities in selected markets which are not generally considered to be commercial in nature; explore developing strategic linkages with selected institutions; diversify the sectoral and market focus of our business through market intelligence and market/sector targeting; and pursue and refine flexible and innovative lending services.

Insurance

Difficult economic conditions in North America have encouraged Canadian exporters to search farther afield for sales opportunities. In doing so, however, they may have exposed themselves to greater risks attendant with unfamiliar, and sometimes less creditworthy, buyers. Within North America, the recession has strained the financial viability of Canadian exporters and the creditworthiness of many U.S. buyers. Exporters feeling the revenue and cost squeeze brought about by the recession have tended to review all expenditures carefully, including the cost of protecting against these increased export credit risks. EDC's challenge will continue to be the design of insurance coverage packages which provide necessary protection at affordable prices.

A potential for broadening EDC's customer base continues to be by converting self-insurers. Self-insurance generally takes two forms: first, where firms decide to self-insure by setting aside certain provisions against possible losses; and second, where exporters decide to run the risk of non-payment, and therefore do not set aside such provisions against possible losses. EDC will continue to inform exporters about the benefits of export credit insurance as a means of ensuring their continued viability in international markets.

Management's Responsibility for Financial Statements

The Financial Statements contained in this Annual Report have been prepared by Management in accordance with accounting principles generally accepted in Canada, consistently applied, which conform in all material respects with International Accounting Standards. The integrity and objectivity of the data in these Financial Statements are Management's responsibility. The Financial Statements include some amounts, such as the allowances for losses on loans and claims, that are necessarily based on Management's best estimates and judgement. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the Financial Statements. In support of its responsibility, Management maintains financial and management control systems and practices to provide reasonable assurance that the financial information is reliable, that the assets are safeguarded and the operations are carried out effectively. The Corporation has an internal audit department whose functions include reviewing internal controls and their application, on an on-going basis.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit Committee meets with Management, the internal auditors and the Auditor General of Canada on a regular basis.

The Board of Directors of EDC is responsible for all business undertaken by the Corporation. Contracts which, in the opinion of the Board of Directors, involve risks for a term or an amount in excess of that which the Corporation would normally undertake, may be entered into under the authority of the Governor General in Council where the Minister considers them to be in the national interest. The Board of Directors has the predominant role in the management of this program and is solely responsible for its administration. Funds required for such contracts are paid to the Corporation by Canada, and funds recovered are remitted to Canada, net of amounts withheld to cover related administrative expenses. The administration of accounts on behalf of Canada is shown in Note 13 to the Corporation's Financial Statements.

The Auditor General of Canada conducts an independent audit, in accordance with generally accepted auditing standards, and expresses his opinion on the Financial Statements. His report is presented on the following page.

Paul Labbé
President and
Chief Executive Officer

M.D.J. Bakker
Senior Vice-President
and Chief Financial Officer

Auditor's Report

AUDITOR GENERAL OF CANADA VÉRIFICATEUR GÉNÉRAL DU CANADA

To the Minister for International Trade

I have audited the balance sheet of the Export Development Corporation as at December 31, 1992 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Canada, conforming with International Auditing Guidelines. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles in Canada, conforming with International Accounting Standards. As required by the Financial Administration Act, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Export Development Act and the by-laws of the Corporation.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
January 27, 1993

Balance Sheet

as at December 31, 1992
(in thousands $)

	1992	1991
Assets		
Cash and marketable securities		
Cash and short term deposits	**754,542**	764,415
Marketable securities	**404,495**	197,271
Accrued interest	**10,560**	9,672
	1,169,597	971,358
Loans receivable (notes 3 and 4)		
Long term	**6,143,226**	5,368,278
Current portion of long term	**1,219,839**	1,127,655
	7,363,065	6,495,933
Accrued interest and fees	**119,935**	114,486
	7,483,000	6,610,419
Less: allowance for losses on loans (note 5)	**608,884**	449,202
	6,874,116	6,161,217
Other		
Recoverable insurance claims (note 8)	**8,468**	5,162
Unamortized debt discount and issue expenses and other assets	**54,972**	29,947
	63,440	35,109
	8,107,153	7,167,684

	1992	1991
LIABILITIES		
LOANS PAYABLE (NOTE 9)		
Short term	**1,799,448**	2,196,507
Current portion of long term	**822,932**	705,462
	2,622,380	2,901,969
Long term	**4,123,778**	3,011,544
	6,746,158	5,913,513
Accrued interest	**163,704**	159,399
	6,909,862	6,072,912
OTHER LIABILITIES AND DEFERRED REVENUES		
Accounts payable	**27,452**	33,711
Deferred insurance premiums	**12,809**	9,708
Allowance for claims on insurance and guarantees	**97,432**	86,144
Deferred loan fees and other credits	**180,358**	130,147
	318,051	259,710
SHAREHOLDER'S EQUITY		
Share capital (note 10)	**788,200**	788,200
Retained earnings	**91,040**	46,862
	879,240	835,062
	8,107,153	7,167,684

Commitments and contingent liabilities (notes 6 and 7)

Approved by the Board of Directors

W.R.C. Blundell
Director

M.D.J. Bakker
Chief Financial Officer

Paul Labbé
Director

Statement of Income and Retained Earnings

for the year ended December 31, 1992
(in thousands $)

	1992	1991
Loans and guarantees		
Interest earned	**485,932**	440,855
Interest relief arrangements	**31,280**	29,336
Fees earned	**42,134**	42,275
	559,346	512,466
Less: provision for losses on loans	**152,794**	72,544
	406,552	439,922
Insurance and guarantees		
Premiums and fees earned	**38,803**	29,980
Less: provision for claims	**19,051**	19,338
	19,752	10,642
Investment interest earned	**62,165**	67,399
	488,469	517,963
Interest expense		
Long term	**314,208**	263,586
Short term	**84,703**	153,969
	398,911	417,555
Supplementary provision for claims	**—**	25,000
Administrative expenses	**45,380**	42,684
	444,291	485,239
Net income	**44,178**	32,724
Retained earnings		
Beginning of year	**46,862**	14,138
End of year	**91,040**	46,862

Statement of Changes in Financial Position

for the year ended December 31, 1992
(in thousands $)

	1992	1991
Operating Activities		
Net income	44,178	32,724
Items not affecting cash		
Provision for losses on loans	152,794	72,544
Provision for claims	19,051	44,338
Accrued interest and fees	(18,258)	(2,481)
Other changes	(52,636)	43,374
Cash provided	145,129	190,499
Lending Activities		
Loans receivable disbursed	(1,693,622)	(1,494,023)
Loans receivable repaid	1,360,013	970,009
Items not affecting cash		
Net increase (decrease) in deferred revenue	50,606	(14,894)
Interest rescheduled	(11,765)	(15,838)
Loan interest and expenses reversed	(13,576)	(33,030)
Cash used	(308,344)	(587,776)
Financing Activities		
Issues of long term loans payable	1,763,305	883,042
Repayments of long term loans payable	(868,492)	(838,851)
(Decrease) increase in short term loans payable	(609,400)	15,406
Issue of share capital	—	16,200
Cash provided	285,413	75,797
Increase (decrease) in cash and marketable securities	122,198	(321,480)
Foreign exchange on opening balance of cash	75,153	(9,630)
Cash and Marketable Securities		
Beginning of year	961,686	1,292,796
End of year	1,159,037	961,686

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 1992

1. CORPORATE MANDATE AND ACTIVITIES

Export Development Corporation ("The Corporation") was established on October 1, 1969 by the Export Development Act ("The Act"), a statute of the Parliament of Canada. The Corporation was created as an agent of Her Majesty in right of Canada for the purpose of facilitating and developing trade between Canada and other countries, by the provision of loans, guarantees and insurance. The Corporation is accountable for its affairs to Parliament through the Minister for International Trade.

The Government of Canada has established an understanding that it may seek Parliamentary appropriations to eliminate any losses the Corporation might incur.

The Corporation is not subject to the requirements of the Income Tax Act with respect to its earnings.

As an export credit agency and an agent of Her Majesty in right of Canada, the Corporation benefits from Canada's membership in the Paris Club, an international group, formed to deal on a multilateral basis with payment difficulties experienced by sovereign entities. Through the auspices of this Club and with subsequent negotiation, rescheduling agreements are arranged coupled with the implementation of International Monetary Fund disciplines to alleviate these payment problems.

The Government of Canada is of the view that the evolution of the international debt strategy could lead to concerted multilateral agreement to provide debt and debt service reduction by creditor governments in order to facilitate approved economic adjustment programs by certain debtor countries. The Government of Canada has undertaken to compensate the Corporation fully for any financial consequences arising from the Government's participation in multilateral activities to provide debt and debt service reduction.

The Act allows the Corporation to have outstanding loans and commitments to foreign borrowers up to a maximum of $15 billion. As at December 31, 1992, the position against this limit, determined in accordance with the requirements of the Act, is **$10.5 billion** (1991 – $8.7 billion).

The Act also specifies that the Corporation can incur liabilities under contracts of insurance, related guarantees and guarantees pertaining to the lending program up to a maximum of $15 billion. The position against the limit determined in accordance with the requirements of the Act, is **$5.7 billion** (1991 – $5.4 billion).

As an agent of Her Majesty in right of Canada, all of the Corporation's borrowings carry the full faith and credit of Canada. The Act allows the Corporation to borrow up to a maximum of ten times the aggregate of its paid-in capital from time to time and the retained earnings, if any, determined in accordance with the most recent audited Financial Statements. This limit for borrowing is **$8.4 billion** (1991 – $8.0 billion), against which borrowings amounted to **$6.7 billion** (1991 – $5.9 billion).

The Corporation enters into transactions with other Government departments, agencies and Crown corporations in the normal course of business.

2. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with accounting principles generally accepted in Canada, consistently applied, and conform in all material respects with international accounting standards. A summary of significant accounting policies follows:

Marketable Securities

Marketable securities are recorded at market value. Gains and losses are included with investment interest earned.

Loans Receivable

Loans receivable, mainly to sovereign entities, are reported in the Canadian dollar equivalent of the original amounts disbursed and include where applicable interest capitalized as part of the rescheduling or restructuring process of loans with payment difficulties.

Loans are classified as accruing or non-accruing. Non-accruing loans are those where there is significant doubt as to collectibility in the short to medium term, where significant payments have not been received for a period of one year after a rescheduling agreement has been signed, or two years where rescheduling measures have not been concluded. The capitalization of interest in subsequent rescheduling agreements for non-accruing loans is not recognized for accounting purposes.

Loan Interest and Fees

Loan interest is recorded on the accrual basis until such time as Management determines that a loan should be classified as non-performing or when significant payments have not been received for a period of one hundred and eighty days. Subsequently, when a loan is classified as non-accruing, the Corporation reverses previously accrued interest against the allowance for losses on loans.

Any interest payment on a non-performing or non-accruing loan is recorded as interest income when received.

A non-accruing loan is restored to an accrual basis after a pattern of regular payments has been established, normally after three years. When the Corporation restores the loan to an accrual basis, previously non-accrued interest revenue is recognized over the remaining life of the loan.

Loan fees are taken into income over the disbursement and repayment periods of the related loan.

Interest Relief Arrangements

In accordance with the terms of multilateral debt relief and debt service agreements between the Government of Canada and sovereign borrowers, the Corporation accrues as interest revenue amounts due from the Government.

Allowance for Losses on Loans

The allowance for losses on loans is based on a review of collectibility, at least annually, of all loans to commercial and sovereign borrowers.

As the result of the review of all loans to commercial borrowers, the Corporation charges to income an amount sufficient to specifically provide for potential losses on the commercial loans receivable portfolio to reflect the impairment of the related commercial loan assets.

In addition to specific allowances for losses on commercial loans, the Corporation prudently sets aside a general allowance based on Management's best estimates of potential losses on the commercial and sovereign loans receivable portfolio for which no specific provision has been made.

It is Management's opinion, based on the Corporation's experience, that except in the rare instances of outright repudiation or the write-off of asset value agreed to by creditors, the ultimate collectibility of a sovereign obligation is not subject to question although indefinite delays in repayment of principal and interest may have to be accepted.

Recoverable Insurance Claims

Recoverable insurance claims payments are recorded at estimated recoverable values. Subsequent net gains or losses on recovery are credited or charged to the allowance for claims on insurance and guarantees.

Allowance for Claims on Insurance and Guarantees

The allowance for claims on insurance and guarantees is based on a review of net loss experience and potential net losses and represents Management's best estimate of the liability for insured events that have occurred and can be reasonably estimated.

Insurance Premiums

Insurance premiums and fees are earned in Canada. For short term insurance policies, premiums are taken into income at the commencement of coverage. Premiums on other export insurance policies are taken into income using methods which generally reflect the exposures over the terms of the policies.

Interest Expense

Interest expense includes hedging expenses, derivative financial instruments costs, and the amortization of debt discount and issue expenses which are charged to income over the life of the related debt.

Translation of Foreign Currency

The Corporation hedges its U.S. dollar assets and liabilities on a total portfolio basis. Any net exposure to future changes in the U.S. dollar foreign exchange rate is due to short term timing differences in cash flows. It is the Corporation's policy to manage assets and liabilities denominated in U.S. dollars in such a way as to minimize this net exposure. All assets and liabilities in foreign currencies other than U.S. dollars are specifically hedged to minimize exposures. All assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at year-end.

Income and expenses are translated at average monthly exchange rates in effect during the year. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are reported with investment interest earned.

Other Financial Instruments

The Corporation uses a variety of off-balance sheet derivative financial instruments, such as forward exchange contracts and currency swaps, interest rate swaps, options, caps and floors, and futures, to reduce market risks and funding costs.

Gains or losses arising from transactions designated as hedges are deferred and recognized in income over the remaining life of the hedged item. The costs of issuing these instruments are included in interest expense.

3. Loans Receivable

(in thousands $)

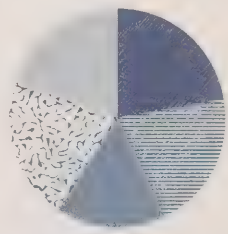
Loans receivable from both sovereign and commercial borrowers are mostly at fixed interest rates established in competition with similar export credit agencies in other countries.

These loans mature as follows:

		1992	1991
Non-accruing		1,942,164	1,705,622
Within 12 months	– fixed	679,559	574,572
	– floating	463,363	499,556
Overdue		76,917	53,527
1993		—	583,355
1994		810,416	525,589
1995		609,282	480,021
1996		558,272	418,995
1997		458,260	336,740
1998 and thereafter		1,764,832	1,317,956
Total		7,363,065	6,495,933
Commercial loans included above		1,683,360	1,272,103
Floating rate loans, generally based on LIBOR rates, included in total loans		3,061,407	2,502,492

The geographic distribution of these loans is as follows:

	1992	1991
Pacific and Asia	1,642,954	1,376,426
Middle East and Africa	1,521,422	1,499,005
Europe	1,211,227	875,654
North America and Caribbean	1,544,634	1,458,093
South America	1,442,828	1,286,755
Total	7,363,065	6,495,933

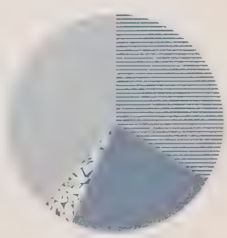


4. Non-Accruing Loans Receivable

(in thousands $)

The geographic distribution of non-accruing loans and off-balance sheet non-accrued interest is as follows:

	1992		1991	
	Principal	Interest	Principal	Interest
Pacific and Asia	—	—	—	—
Middle East and Africa	739,037	249,273	695,840	192,636
Europe	410,803	260,451	242,421	230,441
North America and Caribbean	68,742	64,891	75,069	63,241
South America	723,582	398,507	692,292	368,882
Total	1,942,164	973,122	1,705,622	855,200
Commercial loans included above	98,700	13,617	21,431	5,391



The total off-balance sheet non-accrued interest which has accumulated during the year was **$63,273** (1991 – $181,878).

The Corporation received interest payments of **$89,153** in 1992 (1991 – $34,679) from loans designated as non-accruing. This amount was taken into income when received and is included in interest earned.

5. Allowance for Losses on Loans

(in thousands $)

The Allowance for losses is as follows:

	1992	1991
General allowance	**553,119**	386,126
Specific allowance	**55,765**	63,076
Total balance sheet allowance	**608,884**	449,202

During the year, the amount charged to the allowance was **$14,445** (1991 – $33,030), comprised mainly of interest reversals on loans classified as non-accruing.

6. Loan Commitments

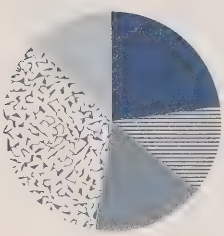
The Corporation had undisbursed commitments on signed loan agreements of **$2,279 million** (1991 – $1,860 million).

The Corporation expects to fund these undisbursed commitments near the time of their disbursement, typically over a three year period, by issuing a combination of debt instruments in world capital markets at commercial rates of interest and capital stock. The Corporation generally attempts to match debt maturities and currencies with those of its loans.

7. Insurance and Guarantees

(in thousands $)

The geographic distribution of insurance in force and guarantees of the Corporation is as follows:



	1992	1991
Pacific and Asia	**1,122,507**	839,169
Middle East and Africa	**640,742**	436,219
Europe	**822,027**	895,713
North America and Caribbean	**1,720,117**	1,259,716
South America	**604,176**	556,164
Total	**4,909,569**	3,986,981

8. Recoverable Insurance Claims

(in thousands $)

In 1992, the Corporation paid claims on insurance of **$18,412** (1991 – $13,635), and recovered claims of **$2,593** (1991 – $12,469). Claims of **$12,518** (1991 – $4,363) were charged to the Allowance for Claims in 1992.

9. Loans Payable

(in thousands $)

The Corporation issues debt instruments in world capital markets at commercial rates of interest. Long term instruments are issued by the Corporation in U.S. dollars, Deutsche marks, Japanese yen, Italian lire, Finnish markka, European Currency Units (ECU), Swiss francs and Canadian dollars. Most non-U.S. dollar issues were swapped to U.S. dollars.

Currencies of repayment of these instruments are as follows:

	1992	1991
U.S. dollars	**4,708,382**	3,362,534
ECU	**153,765**	154,209
Canadian dollars	**84,563**	189,076
Swiss francs	—	11,187
Total	**4,946,710**	3,717,006

Total Loans payable mature as follows:

		1992	1991
Within 12 months	– fixed	**489,815**	415,267
	– floating	**2,132,566**	2,486,702
1993		—	752,011
1994		**1,013,222**	585,535
1995		**72,173**	72,173
1996		**349,741**	338,033
1997		**262,378**	266,740
1998 and thereafter		**2,426,263**	997,052
Total		**6,746,158**	5,913,513
Loans included above at fixed rates (effective interest rate 8.0%)		**3,103,353**	2,557,804
Floating rate and short term fixed rate revolving loans (effective interest rate 3.7%)		**3,642,805**	3,355,709

10. Share Capital

The authorized share capital is $1.5 billion consisting of 15 million shares with a par value of $100 each. The number of shares issued and fully paid is **7,882 thousand** (1991 – 7,882 thousand). During the year, the Corporation has issued no shares (1991 – 162 thousand for a consideration of **$16.2 million**).

11. Foreign Currency Balances

(in thousands $)

The Corporation has substantial assets and liabilities in U.S. dollars and in other currencies. The Canadian dollar equivalent after taking into consideration forward exchange contracts and currency swaps is as follows:

	1992	1991
U.S. dollars		
Assets	**6,707,099**	5,783,414
Liabilities	**6,708,092**	5,576,200
Net balance	**(993)**	207,214
Rate of exchange U.S. $1.00	**1.2709**	1.1555
Other currencies		
Assets	**421,238**	395,950
Liabilities	**505,659**	432,059
Net balance	**(84,421)**	(36,109)

12. Financial Instruments with Off-Balance Sheet Risk

In any transaction there is always an inherent risk of loss. These risks may be classified as credit risks, wherein the counter-party to a transaction does not perform as agreed, or market risks where an exposure exists as a result of changes in foreign exchange and interest rates.

The Corporation limits its exposure to credit risk by dealing only with financial institutions having very high credit ratings. Internal procedures establish proper credit approvals, controls and monitoring. The Corporation does not anticipate any significant nonperformance by the counterparties due to the control procedures in place. As at December 31, 1992, the largest singular exposure to any institution amounted to **$55 million** (1991 – $57 million). To limit its exposure to market risk, and to reduce its funding costs, the Corporation, during the year, used hedges and derivative financial instruments with off-balance sheet risk. Financial instruments, mostly in U.S. dollars, with contractual or notional principal amounts outstanding as at December 31, 1992 were as follows (in millions $):

	1992	1991
Foreign exchange contracts	**2,198**	1,826
Currency swaps	**1,161**	1,396
Interest rate swaps	**2,188**	1,231
Interest rate caps sold, exposure until 1998 ($ U.S.)	**350**	350
Interest rate options written, expire April 2004 ($ U.S)	**706**	150

13. Accounts Administered for Canada

(a) Pursuant to the Act, the Corporation administers for Canada certain loans and insurance programs entered into under the authority of the Governor in Council for which the Board of Directors has the predominant role in the management of the program and is solely responsible for its administration. These accounts are maintained separately from the Corporation's accounts, and are consolidated annually as at March 31 with the financial statements of the Government of Canada which are reported upon separately by the Auditor General of Canada. The assets administered for Canada, mainly loans receivable and accrued interest and fees recorded in accordance with accounting policies and practices approved by the Government of Canada, amounted to **$1,906 million** (1991 – $1,537 million).

(b) Statutory limits, commitments and insurance in force

The Act allows the Accounts administered for Canada to have outstanding loans and commitments to foreign borrowers up to a maximum of $6 billion. The position against this limit, determined in accordance with the requirements of the Act, is **$2,411 million** (1991 – $1,780 million).

The Act also specifies that the Accounts administered for Canada can incur liabilities under contracts of insurance, related guarantees and guarantees pertaining to the lending program up to a maximum of $7 billion. The position against this limit, determined in accordance with the requirements of the Act, is **$346 million** (1991 – $152 million). Insurance in force for the Accounts administered for Canada included in the above positions amounted to **$346 million** (1991 – $152 million).

(c) The Corporation received reimbursement of expenses and administration fees from Canada of **$11 million** (1991 – $10 million).

Five Year Review

as at December 31
(in thousands $)

Balance Sheets

	1992	1991	1990	1989	1988
Loans receivable	**7,363,065**	6,495,933	5,977,897	5,398,044	5,345,155
Less: allowance for losses	**608,884**	449,202	409,513	375,951	166,635
	6,754,181	6,046,731	5,568,384	5,022,093	5,178,520
Short term investments	**1,159,037**	961,686	1,292,796	1,352,317	1,107,751
Accrued interest and other assets	**193,935**	159,267	179,015	192,380	236,182
Total assets	**8,107,153**	7,167,684	7,040,195	6,566,790	6,522,453
Loans payable	**6,746,158**	5,913,513	5,855,168	5,472,527	5,220,721
Accrued interest and other liabilities	**384,323**	332,965	352,272	340,769	353,495
Allowance for claims	**97,432**	86,144	46,617	48,659	44,567
Total liabilities	**7,227,913**	6,332,622	6,254,057	5,861,955	5,618,783
Share capital	**788,200**	788,200	772,000	697,000	697,000
Reserve for contingencies	**—**	—	—	—	100,000
Retained earnings	**91,040**	46,862	14,138	7,835	106,670
Shareholder's equity	**879,240**	835,062	786,138	704,835	903,670
Total liabilities and shareholder's equity	**8,107,153**	7,167,684	7,040,195	6,566,790	6,522,453

Income Statements

	1992	1991	1990	1989	1988
Loan interest and fees earned	**528,066**	483,130	502,791	513,406	506,470
Interest relief arrangements	**31,280**	29,336	—	—	—
Insurance premiums and fees earned	**38,803**	29,980	26,613	25,543	23,527
Investment interest earned	**62,165**	67,399	112,919	90,913	89,097
Total income	**660,314**	609,845	642,323	629,862	619,094
Interest expense	**398,911**	417,555	500,642	507,357	483,389
Provisions for losses and claims	**171,845**	116,882	96,013	283,390	94,647
Administrative expenses	**45,380**	42,684	39,365	37,950	36,832
Total expenses	**616,136**	577,121	636,020	828,697	614,868
Net income (loss)	**44,178**	32,724	6,303	(198,835)	4,226

Five Year Review

Corporate Account
(in thousands $)

Financial Arrangements Facilitated

	1992	1991	1990	1989	1988
Export Financing					
Direct financing	**2,066,377**	1,411,405	1,271,129	1,255,695	1,016,604
Related CIDA loans and other financing	**13,864**	25,826	4,656	41,949	55,078
Sub total	**2,080,241**	1,437,231	1,275,785	1,297,644	1,071,682
Export Insurance					
Short term insurance	**5,227,262**	3,817,181	3,315,634	3,169,992	3,086,291
Medium term insurance	**1,075,971**	1,046,093	1,411,479	980,572	649,580
Guarantees	**287,019**	214,731	116,731	294,221	250,998
Sub-total	**6,590,252**	5,078,005	4,843,844	4,444,785	3,986,869
Total	**8,670,493**	6,515,236	6,119,629	5,742,429	5,058,551

Financial and Other Data

	1992	1991	1990	1989	1988
Export Financing					
Number of transactions financed	**154**	163	147	171	152
Number of loans receivable	**914**	903	822	758	692
Total obligations on loans receivable	**8,243,071**	6,929,439	6,275,067	5,497,766	5,445,355
Number of undisbursed loans	**264**	280	269	254	203
Undisbursed loans	**2,280,503**	1,862,657	1,900,514	2,203,300	1,935,647
Disbursements to exporters during period	**1,706,697**	1,494,023	1,394,594	853,641	582,311
Liability on loan guarantees	**19,963**	22,332	22,584	17,264	15,785
Undisbursed amounts on loan guarantees	**855**	2,481	6,363	15,050	7,452
Current lines of credit and protocols	**38**	40	32	42	49
Amounts available for allocation	**3,366,026**	4,023,741	2,730,887	2,979,658	3,529,224
Loan amounts rescheduled	**981,634**	918,854	474,677	367,490	182,649
Loan amounts written off	**930**	—	652	2,610	5,901
Export Insurance					
Number of policies issued	**1,570**	1,573	1,215	1,486	1,718
Insurance policies and guarantees in force	**2,432**	2,330	1,936	2,332	2,498
Liability on insurance and guarantees	**5,676,827**	5,363,849	4,748,087	4,342,753	3,404,867
Claims paid	**18,412**	13,635	28,149	19,793	26,968
Claims recovered	**2,593**	12,469	4,945	16,231	21,529
Claims written off (on)	**8,962**	9,429	8,898	(6,273)	1,935
Claims outstanding at year-end	**39,993**	33,136	41,399	27,093	17,258
Claims under consideration at year-end	**3,111**	3,403	4,514	8,994	2,304
Average Employee Strength During Year	**512**	513	514	500	492

Five Year Review

Canada Account
(in thousands $)

Financial Arrangements Facilitated

	1992	1991	1990	1989	1988
Export Financing					
Direct financing	**550,819**	243,851	198,330	205,684	330,462
Related CIDA loans	**8,250**	4,300	—	2,000	15,000
Sub total	**559,069**	248,151	198,330	207,684	345,462
Export Insurance					
Short term insurance	**80,496**	58,899	25,394	14,304	16,862
Medium term insurance	**199,169**	33,790	28,812	75,897	54,176
Guarantees	**2,280**	—	24,502	—	—
Sub-total	**281,945**	92,689	78,708	90,201	71,038
Total	**841,014**	340,840	277,038	297,885	416,500

Financial and Other Data

	1992	1991	1990	1989	1988
Export Financing					
Number of transactions financed	**16**	34	34	55	18
Number of loans receivable	**209**	197	145	92	74
Total obligations on loans receivable	**1,855,880**	1,447,707	1,094,491	895,701	808,184
Number of undisbursed loans	**108**	133	108	79	26
Undisbursed loans	**565,750**	341,203	446,417	489,454	406,471
Disbursements to exporters during period	**388,929**	345,247	239,150	117,667	87,755
Current lines of credit and protocols	**3**	2	1	1	2
Amounts available for allocation	**285,853**	299,583	290,091	350,000	380,123
Loan amounts rescheduled	**86,099**	256,085	87,338	72,633	67,558
Export Insurance					
Number of policies issued	**32**	20	21	12	20
Insurance policies and guarantees in force	**48**	33	25	17	40
Liability on insurance and guarantees	**380,044**	152,470	88,557	62,284	321,150
Claims paid	**373**	—	—	2,913	11,323
Claims recovered	—	1,032	—	3,045	21,527
Claims written off (on)	—	(1,032)	—	114	(572)
Claims outstanding at year-end	**456**	83	83	83	329

Board of Directors – as at December 31, 1992

William Blundell
Corporate Director
Toronto, Ontario
Vice-Chairman of the Board of Directors
Chairman of the Audit Committee of the Board
Member of the Executive Committee of the Board

Lloyd Callahan
President
Callahan Construction Company Ltd.
Kelowna, B.C.
Member of the Business Development Committee of the Board

Donald Campbell*
Associate Under-Secretary of State for External Affairs and
Deputy Minister for International Trade
Ottawa, Ontario
Member of the Executive Committee of the Board

Timothy Chisholm
President
Ronald A. Chisholm Limited
Toronto, Ontario
Member of the Business Development Committee of the Board

John Chomiak
President
Hemisphere Engineering Inc.
Edmonton, Alberta
Member of the Business Development Committee of the Board

Jonathan Deitcher
Vice-President and Director
RBC Dominion Securities Inc.
Montreal, Quebec
Member of the Executive Committee of the Board

David Dodge
Deputy Minister
Department of Finance
Ottawa, Ontario

Nairn Knott
Financial Executive
Vancouver, B.C.
Member of the Business Development Committee of the Board

Paul Labbé
President and Chief Executive Officer
Export Development Corporation
Ottawa, Canada
Member of the Executive Committee of the Board

Jacques Laurent, Q.C.
Senior Partner
Guy & Gilbert
Montreal, Quebec
Member of the Audit Committee of the Board

Marcel Massé*
President
Canadian International Development Agency
Hull, Quebec

Thomas Munn
President
Munn & Company Limited
Mount Pearl, Newfoundland
Member of the Audit Committee of the Board

Judith Romanchuk
Senior Vice-President
BBN James Capel Inc.
Calgary, Alberta
Member of the Audit Committee of the Board

Maureen Sabia
Barrister and Solicitor
Toronto, Ontario
Chairman of the Board of Directors
Chairman of the Executive Committee of the Board

Bruce Sully
Chairman
Rosny Holdings Limited
Goderich, Ontario
Chairman of the Business Development Committee of the Board

Senior Management of the Corporation

Executive Management Committee	Senior Management of the Corporation		
Paul Labbé President and Chief Executive Officer	**Mike McLean** General Manager Strategic Planning and Corporate Affairs	**Ruth Fothergill** General Manager Quality and Customer Satisfaction	
Martin Bakker Senior Vice-President Finance and Chief Financial Officer	**Clare Marshall** Vice-President and Treasurer	**John Gagan** Corporate Controller	
Glen Hammond Senior Vice-President Marketing	**Peter Foran** Regional Vice-President Western Region	**Rolfe Cooke** Regional Vice-President Ontario	**Toby Price** Regional Vice-President Quebec and Atlantic
	Louise Landry General Manager Marketing and Communications	**Nawal Kamel** Chief Economist Economics	
Roger Pruneau Senior Vice-President Export Insurance	**Ian Gillespie** Vice-President Short Term Insurance	**Janice Graves** General Manager Insurance Services	**John Hutchison** Chief Underwriter Short Term Insurance
	Eric Siegel General Manager Medium Term Insurance		
Gilles Ross Senior Vice-President Legal Services and Secretary	**Marc Leduc** General Counsel Legal Services		
Bob Van Adel Senior Vice-President Export Financing	**Don Curtis** General Manager Americas	**Jim Brockbank** General Manager Asia/Pacific	**Henri Souquières** General Manager Africa, Middle East and Europe
Bill Musgrove Vice-President Corporate Services	**Wayne Hughes** General Manager Human Resources	**David Baxter** General Manager Information Technology	

*D.W. Campbell and M. Massé are now Canada's Ambassador to Japan and Secretary to the Cabinet for Federal-Provincial Relations respectively.

Serving Canadians From Coast to Coast

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SERVING CANADIANS
FROM COAST TO COAST
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1993

EDC
SEE

Annual Report

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Providing Financial Solutions

EDC is a customer-driven, financial services corporation that has been dedicated during the past 50 years to helping Canadian business succeed in the global marketplace.

By providing a wide range of flexible and innovative financing and insurance services to exporters and their global customers, EDC is a total solutions provider – striving to exceed the expectations of its customers today and in the future.

EDC's risk management services – including both insurance and financing – have become an integral part of the export strategies of large and small Canadian companies.

EDC has a proud history of focusing on customer service which has resulted in sustained volume growth and financial stability. The Corporation is committed to building long-term relationships with its customers and the domestic and international business and financial institutions it partners with to provide financial support to Canadian business.

EDC encourages the growth of small- and medium-sized enterprises and helps create and sustain jobs through its support to exporters and their worldwide buyers.

The success of EDC's customer service is a testament to the strength of its people – the 541 employees dedicated to the highest possible standards of excellence, quality and professionalism. To these employees, customer satisfaction is more than a concept. It is the principle, the test, against which they measure everything they do.

Total financial services solutions from qualified, committed professionals. This is EDC.

MEASURING UP

EDC's vision is: "to be the best in the world at providing the highest quality financial services for our customers." EDC intends to realize this vision by focusing on four strategic goals. Here's how the Corporation worked to achieve those goals in 1993.

1. CUSTOMER SATISFACTION

EDC's 1993 Customer Satisfaction Index (CSI) survey resulted in a rating of 8.3 on a scale of 10 points. Overall, our customers said EDC was reliable, they value the professionalism and knowledge of EDC employees, and have noted an improvement in turnaround times over the past year. The survey also showed customers want EDC to: provide customized and flexible products; increase the corporate appetite for risk; keep them better informed about EDC's products and services; and respond even faster to requests for information and for financing and insurance support.

In direct response, EDC combined its financing and insurance services to allow a more coordinated approach to its customers' needs; streamlined its major business processes to further improve customer response time; improved its ability to analyze and manage risk and amended its legislated mandate to broaden its powers.

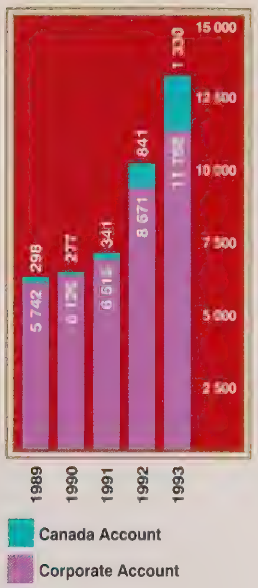
EDC's goal for 1994 is to improve its CSI rating to 8.6. This will be achieved by continuing to improve turnaround times and working closely with customers to better understand their business.

2. ENHANCE BENCH STRENGTH

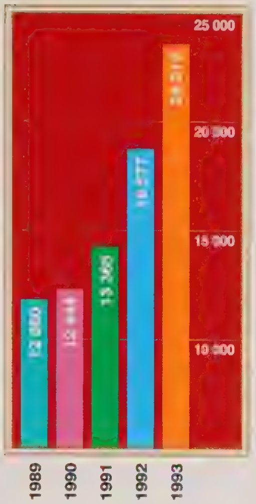
EDC recognizes the importance of the fundamental link between highly-skilled and motivated employees and satisfied customers. Training efforts have been focused to help employees build on the competencies needed to achieve its customer satisfaction strategy. These core competencies include: assessing and managing risk; structuring and negotiating transactions; using and sharing expertise and knowledge; and developing and sustaining Total Quality Management as the basic approach for managing and running our business.

- **A total of 2,057 customers used EDC's financial services in 1993 – an increase of six percent over the previous year.**
- **More than 1,600 Canadian small- and medium-sized enterprises benefited directly from EDC's programs – an increase of nine percent over 1992.**
- **Approximately 414,000 person-years of employment were created or sustained by Canadian exporters using EDC's services.**

Business Volume
(in millions $)

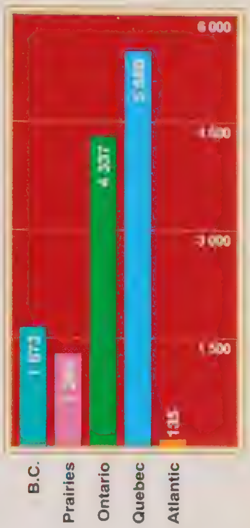


Business Volume per Employee
(in thousands $)



Customers Supported
(number of companies)

Business Volume by Region
(in millions $)



Productivity is a key indication of corporate strength and success. In 1993, business volumes per employee (Corporate and Canada Account) increased 30 percent to $24.2 million from $18.6 million in 1992.

EDC is developing an employee satisfaction index for 1994 to better understand how effective the Corporation is in creating a work environment that encourages employees to meet our customer satisfaction goals.

3. Balanced spread of risk

Fundamental to the continued vitality of EDC, is its ability to maintain a balanced spread of risk, which maximizes support to customers while preserving financial health. This requires that EDC carefully balance the spread of risk throughout the 130 countries where it supports Canadian exports, while still carrying $2.3 billion in non-performing loans – 30 percent of EDC's total portfolio.

There was also a significant increase in claims activity in 1993 with $48 million paid out – an increase of 167 percent over 1992.

- **Approximately 82 percent of EDC's customers are small- and medium-sized enterprises.**
- **Total business volume (Corporate and Canada Account) increased by 38 percent to $13.1 billion (31 percent for insurance and 55 percent for financing).**
- **Claims increased by 167 percent to $48 million from $18 million in 1992. Most claims activity was in Iran, the United States and Cuba.**

4. Positive financial results

EDC continued to show strong volume growth (Corporate and Canada Account) of 55 percent to $4.1 billion in financing services and 31 percent to $9 billion in insurance services. The Corporation's net income for 1993 after provisions was $41 million.

EDC provided services to a record 2,057 customers, about 82 percent of which were small- and medium-sized Canadian enterprises.

A WORLD OF OPPORTUNITIES

1994 marks EDC's fiftieth anniversary – 50 years of partnership with Canadian exporters and their global customers in a highly competitive and constantly changing international export environment.

Throughout this period, Canadian exports have grown dramatically and Canadian business has demonstrated that it not only can compete with the best in the world, but set new standards in export success. EDC's growth has tracked that of Canadian exporters and its services have changed in response to their evolving needs. We have developed from a relatively small enterprise with a limited range of export credit insurance products, to a sophisticated and fully integrated financial services corporation that provides a wide range of risk management and financing services.

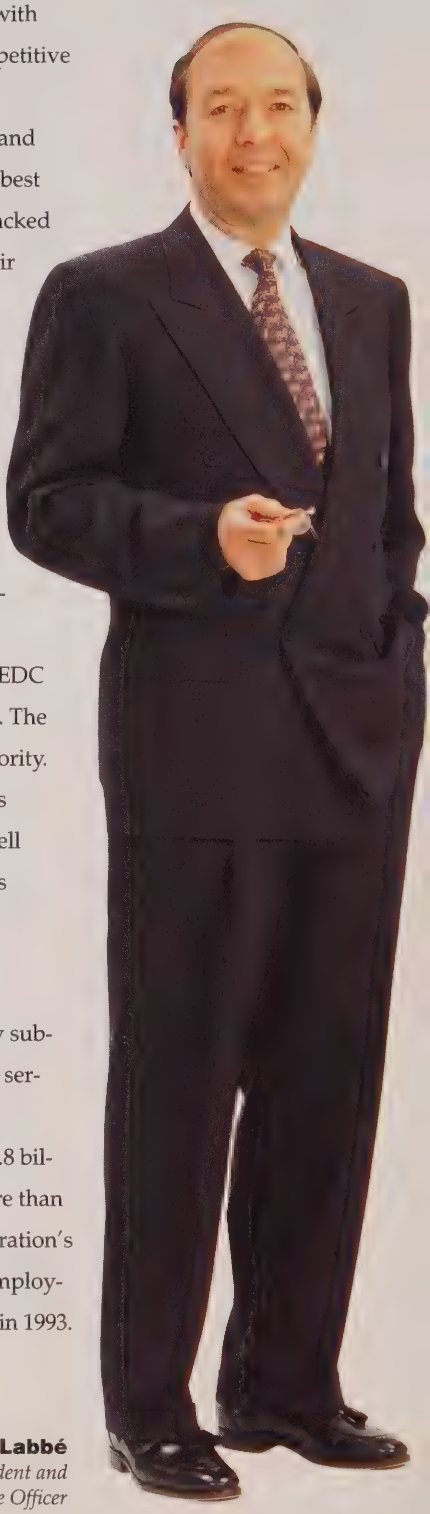
It is the growing strength of the partnership that has developed between Canadian business and EDC that we are most proud of today. EDC's historical growth, and our outstanding business results this year, mirror the success Canadian exporters – both large and small – have experienced in the global economy.

Our evolution from the Export Credits Insurance Corporation to the EDC of today has been an exciting and successful journey. But challenges persist. The internationalization of Canadian business is, and must continue to be, a priority. EDC remains ready to continually improve both its level of expertise and its delivery of financial services in support of Canadian businesses seeking to sell abroad. That is why our vision for the future is founded on the partnerships forged in the past – on the needs of Canadian business.

OUTSTANDING BUSINESS RESULTS

In 1993, both EDC's corporate business volume and Canadian exports grew substantially – evidence of our enhanced role as an integral Canadian financial services partner with our customers.

Corporate business volume increased by more than 36 percent to $11.8 billion and EDC provided services to a record 2,057 Canadian exporters – more than 80 percent of whom were small- and medium-sized enterprises. The Corporation's 1993 net income was $41 million. Approximately 414,000 person years of employment were created or sustained by Canadian exporters using EDC's services in 1993.



Paul Labbé
President and
Chief Executive Officer

For Canada, the partnership between EDC and its customers has always resulted in very tangible gains. Since 1969 alone, EDC has supported $94 billion worth of exports and helped to create or maintain more than three million jobs.

Capitalizing on New Opportunities

Export growth is essential to Canada's prosperity. One in four jobs in this country depend directly on the success of Canadian exports – one of the highest ratios of any of the G-7 countries.

The challenges that lie ahead for Canadian exporters will increasingly test both the competitive spirit of Canadian business and EDC's ingenuity in finding even better ways to assist them.

Globalization, technological change, industrial restructuring and ever-increasing competition are forcing Canadian companies to look beyond our national boundaries and change the way they do business.

Canada's success in selling its goods and services abroad and increasing its market share generally, will ultimately determine the level of our future prosperity. Competing on an international level is now a critical business strategy.

Two events occurred in 1993 which will encourage Canada's export growth. First, the North American Free Trade Agreement (NAFTA), came into being. This historic agreement creates the largest free-trade zone in the world, with a single market of more than 360 million people and a combined gross domestic product of U.S.$7.5 trillion. Such a vast marketplace dramatically increases export opportunities for Canadian business, particularly in the agrifood, telecommunications, transportation and environmental technology sectors.

Second, the conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), is expected to not only open up markets, but significantly boost Canada's economy in the next 10 years.

Canadian businesses have been positioning themselves to take full advantage of these growth opportunities through such strategies as upgrading and streamlining production facilities, technological innovation, broadening sources of supply and containing costs. Canada's enhanced export performance is evidence that we are becoming more competitive.

On the export front, Canada outperformed virtually every region in the world – Europe, Latin America, the Middle East and Africa. Only the performance of the four Asian Tigers and the United States is comparable to ours.

Traditionally, the United States has been our largest trading partner and it will continue to be an important market for Canadian goods and services. However, we must seize new opportunities as they emerge. The booming Asia Pacific market is a case in point. This region already accounts for ten percent of the world's demand for goods and services – a figure which is likely to grow by another 50 percent over the next five years. Asia Pacific is an increasingly important market for Canada and our exports to this part of the world now exceed our exports to Western Europe.

Legislation Provides Greater Flexibility

Canadian exporters have proven to be impressively resilient even in tough economic times. In 1993, Canadian exports increased 16 percent. However, only one-third of our domestic manufacturers sell in foreign markets, and just a few hundred Canadian firms are responsible for more than half of the country's exports. This gap underlies the importance of more Canadian enterprises expanding into international markets, and the need to access financial services that match those available to their international competitors.

To this end, EDC's mandate was expanded by Parliament in 1993. EDC now has the ability to provide a wider range of financing and insurance products and services to Canadian business, helping exporters to capitalize on new opportunities worldwide and respond to current marketplace demands. In 1993, EDC helped Canadian exporters win business in 130 countries and supported $13.1 billion in exports under both the Canada and Corporate accounts.

Support for Large and Small Enterprises

To a great extent, EDC's success is tied to the success of Canada's leading exporters, who have looked to EDC for a wide variety of financial services. Indeed, only a few hundred Canadian firms are responsible for more than half of the country's exports.

EDC's support for larger exporters, which accounts for a significant portion of our business volume, generates benefits for Canadian business generally. Large contract signings, for example, create literally thousands of opportunities for Canadian subsuppliers, the effects of which are felt throughout the Canadian economy. In 1993, for example, EDC customers used an estimated 12,500 direct suppliers. As well, the expertise and the experience of larger exporters, in conjunction with EDC's financial services, opens the door for other Canadian businesses to penetrate new international markets.

EDC also plays a more direct role in enhancing the competitiveness of smaller enterprises. In addition to our risk management and financing services, EDC has the international expertise that small- and medium-sized businesses often have difficulty accessing, such as current information on commercial and political market risks.

To this end, EDC streamlined its small business insurance program and introduced a regional delivery system for lines of credit in markets such as Mexico and Kuwait, as well as making them more accessible. We have seen the results of these efforts. Total volumes in our small business insurance program grew by 28 percent over the previous year and the number of small- and medium-sized businesses using EDC services increased by nine percent in 1993. These programs will be expanded further in 1994.

Maureen Sabia
Chairman of the Board of Directors

Strategic Partnerships Key to Success

Through strategic partnerships with other financial institutions, EDC ensures that Canadian exporters have access to the financial resources they need. These partnerships allow us to provide financing and risk management solutions tailored to the specific requirements of our customers.

With respect to financing, EDC worked in cooperation with 30 domestic and international financial institutions during the past five years to support increased Canadian exports. The amount of business supported through these partnerships has grown from $250 million in 1988 to $1.6 billion in 1993. Likewise, EDC provided insurance and guarantee support on $3.2 billion worth of Canadian exports facilitated by 25 banks over the same time period.

EDC also signed a number of reinsurance agreements in 1993 to broaden our ability to support the timely issuance of surety bonds and other insurance instruments in new markets. This continues to be a key strategy for the Corporation.

Quality of our Employees

The past year has been a challenging one for EDC's highly-skilled and dedicated workforce. Each employee played an important role in achieving our customer satisfaction goals, which led to the impressive volume and financial performance in 1993. The 1993 Customer Satisfaction Survey results confirm that our customers have noted improvements in the quality of service and turnaround times provided. Total business volume per employee increased 30 percent to $24.2 million in 1993 – an increase of more than 80 percent in the past two years alone.

The creativity and energy of EDC employees was not limited to traditional business functions, but was also reflected in their innovative and successful contributions to the communities they live in, through such programs as the United Way and other local service organizations.

EDC is also fortunate to have an active and committed Board of Directors. In 1993, we welcomed two new directors, Allen Kilpatrick, Deputy Minister, International Trade and Associate Under-Secretary of State for Foreign Affairs and Brian Gallery, publisher and owner, Canadian Sailings (international marine publication). 1993 also saw the departure of Donald Campbell, Jonathan Deitcher, Marcel Massé and Judith Romanchuk. We wish to recognize the important contribution each made to EDC's continued success.

We have earned through the hard work and dedication of our people, a worldwide reputation for business innovation, service and growth. We look back with great pride on the many accomplishments of the past fifty years, and look forward with anticipation to even greater success in the decades to come.

Maureen Sabia

Maureen Sabia
Chairman of the Board of Directors

Paul Labbé

Paul Labbé
President and Chief Executive Officer

TACKLING CUSTOMER ISSUES: HOW EDC MANAGES RISK

There is one customer issue that we would like to tackle head on – and that is the perception by some that EDC is risk averse. We are taking this opportunity to share our thoughts on the matter.

RISK: STRIKING A PRUDENT BALANCE

EDC strives to maintain the delicate balance between market opportunity and financial risk.

Simply put, our purpose is to support Canadian exporters. But as a Crown corporation mandated to be financially self-supporting, we must run our operations using sound business principles. With strong export growth forecast for the next five years, it is increasingly important that we maintain a healthy, viable balance sheet and equity base so that we can continue to support our customers' expansion and growth.

We apply our 50 years of risk management experience to examine the opportunities and risks in the world's markets. Essentially, we look at everything that affects a foreign buyer's ability to pay such as the political situation, economy, balance of payments, foreign investment climate and supply of foreign exchange.

EDC is customer-driven. We go where exporters take us, into 130 countries – where some markets are riskier than others. At the end of 1993, we carried $2.3 billion in non-performing loans – 30 percent of our total portfolio. As profound changes continue to sweep the global marketplace, we expect this number will grow, but for EDC it is a manageable challenge. These non-performing loans are the direct result of a country's or commercial borrower's inability to pay, leading to debt restructuring.

The global debt crisis of a decade ago persuaded us to adopt an approach to country risk that is still in practice today. This practice is to maintain a flexible policy of coverage toward existing or potentially high-risk countries. In 1982, debt restructuring grew and the world market shrank. Those countries not already in a debt crisis, slashed expenditures to try to avoid one.

Today, the crisis may be over, but a cautious approach to international lending lingers on.

EDC's insurance services are designed to protect Canadian exporters against potential losses.

Our claims activity over the past five years clearly reflects our commitment to extend coverage whenever possible. During that period, we saw a 21 percent increase in the number of claims – a response, we believe, to the many changes in the marketplace such as increased competition in a global environment and a shift to market-driven economies. While these changes represent opportunities, they also expose exporters to new risks, which we must continually help to manage.

Some observers believe that EDC conducts most of its business in OECD countries where the risks are thought to be less. In fact, 25 percent of the claims paid under our Global Insurance policies, amounting to $9.2 million, were related to exports to the United States alone. The majority of these claims were paid to small- and medium-sized Canadian exporters – those least able to absorb losses.

It is also true that while claims from exporters operating in lesser developed countries tend to be higher, there is potential for recovery over time because the claim is often sovereign-related. The same can't always be said for claims in commercial risk markets.

In many instances, EDC's flexible approach to risk management can accommodate the customer's appetite for risk by adjusting our coverage to meet their requirements. Many large exporters have found EDC's willingness to share risk extremely beneficial.

We've supported $94 billion worth of exports since 1969, which have helped to create or maintain over three million jobs, providing enormous benefits to sub-suppliers many of which are small- and medium-sized enterprises.

It is EDC's objective to build on past successes by continuing to maintain the delicate balance between risk and growth – for the future prosperity of Canada and Canadian business.

50 YEARS OF SERVICE

The 50-year history of EDC is one of responding to change, both in terms of customer expectations and shifts in the domestic and global marketplaces. The legislation creating the Export Credits Insurance Corporation (ECIC), the predecessor to EDC, was established in 1944 to take advantage of post-war production capacity and a world population starved for basic commodities.

By the early 1950's, ECIC had become a viable enterprise committed to customer service, with a worldwide reputation for paying claims promptly and holding the line on premiums – even though volumes and the associated risks continued to grow.

In response to changing needs, the Corporation moved into financing in the early 1960's to cover a $13.5 million sale of goods and services to build a paper mill in Chile. This marked a new era for the Corporation.

Between 1960 and 1968, exports insured by the Corporation increased from $63 million to $247 million. Its direct lending business reached a significant milestone of $94 million in 1967.

Despite this success, the Corporation was under pressure to match services offered by other government- supported export credit agencies. In 1969, the government responded by greatly expanding the powers of ECIC and renaming it EDC. For example, the new legislation enabled EDC to provide its customers with direct lending, foreign investment insurance and lines of credit.

EDC started raising money in capital markets through its own Treasury Department in 1972. Within six years, it was able to raise the money needed to meet loan commitments without borrowing from the federal government. Public recognition for EDC's Treasury Department came in 1985 when Euromoney, a prestigious international finance magazine, named EDC "borrower of the year" given the major impact the Corporation had on the evolving Euronote market.

The events of the late 1980s and early 1990s confirmed that the intense competition in the global marketplace was accelerating. For all organizations, a critical business strategy was the ability to adapt and capitalize on change.

EDC positioned itself to meet this challenge by establishing customer satisfaction as its overriding corporate goal and embracing Total Quality Management.

"EDC is part of our team when we put together a financial package. In some cases, the sale would not have happened had EDC not been there. EDC's service is always prompt and whenever we've asked the Corporation to finance a portion of the loan and team up with other financial institutions, it's been handled smoothly and professionally."

Bell Helicopter Textron
Mirabel, Quebec
Glenn R. Leduc,
Senior Vice-President,
Administration
(Bell Helicopter Textron manufactures six different models of helicopters exported worldwide.)

SETTING NEW STANDARDS OF EXCELLENCE IN 1993

For EDC and its customers, 1993 was a year of transition – a year where much time and energy was focused on building a strong foundation to meet the new global competitive demands that the forecasted growth in Canadian exports will bring.

Among many other initiatives, the Corporation sought and obtained from Parliament, major amendments to its legislated mandate. As well, EDC worked to develop expertise in key market sectors and complex project financings; introduced innovative information technology systems; and streamlined processes to improve customer response time.

The direct result of these and other initiatives was substantial growth in insurance and financing volumes, the latter due, in part to the culmination of five years of effort to negotiate two major financing transactions. These transactions supported a project by SNC-Lavalin Inc. and Bombardier Inc., to build a heavy rail rapid transit system in Ankara, Turkey; and Babcock & Wilcox's participation in building a thermal power plant in Suralaya, Indonesia.

The driving force behind these initiatives is to meet customers' business requirements.

"When you're dealing with millions of dollars in exports, global insurance allows you to be more aggressive. It gives you an edge when you go after new customers. I don't hesitate to say that because of EDC's support, my export sales have increased 15 to 20 percent every year for the past five years."

Sealeader
Cornerbrook, Newfoundland
Bill Barry, President
(Sealeader is one of the biggest players in Atlantic Canada's fishing industry, exporting millions of dollars worth of products to the United States and Eastern Europe.)

EXCEEDING CUSTOMER NEEDS

One of the major steps in meeting EDC's customer satisfaction goals was to amend the *Export Development Act*, enabling it to expand its range of financing and insurance solutions to keep pace with the changing needs of its customers.

Additionally, EDC combined its financing and insurance services into a single Financial Services group to provide customers with total financial solutions to satisfy all of their exporting needs. The Corporation also continued to examine its major business practices to improve its customer response time.

One example is EDC's on-line credit administration system, which allows EDC to respond to requests from policy holders for credit approval 50 percent faster, at a time when volumes have more than doubled. Today, more than 90 percent of EDC's customer requests are handled within two to four working days, and priority requests can often be answered the same day they are received.

The next stage in reducing turnaround time for policy holders is to develop decision-support models to handle more of the routine buyer credit approvals. This will allow EDC employees to focus more time on providing value-added service to our customers.

Our efforts to reduce turnaround times were recognized publicly when EDC's Loans Administration Department was awarded the Team Excellence Award from the Ontario Chapter of the Association for Quality Participation. This award recognized the team's efforts to improve the average turnaround time for loan disbursements from 15 to three days.

Balancing financial risk with market opportunities
Martin Bakker, Senior Vice-President and Chief Financial Officer, (Standing). (Left to right) Harry Kaunisviita, Leslie Goodfellow; Pat Brean, Henri Souquières

EDC also has access to the most current credit and buyer information available so that we can respond quickly and knowledgeably to customer requests. For example, EDC was the first Canadian company to join Dun & Bradstreet's Dunslink system – giving it on-line access to almost all of the credit and financial information needed on any given U.S. company.

Volume growth reaches new heights

New standards for volume growth in both insurance and financing services were set in 1993. EDC's corporate business volume jumped by more than 36 percent to $11.8 billion, reflecting its growing role as a financial partner with Canadian business. Insurance volumes grew by 30 percent to $8.6 billion and financing volumes grew by 54 percent to $3.2 billion over 1992.

Approximately 1,600 of EDC's 2,057 customers are small- and medium-sized Canadian enterprises. To support this important sector of the economy, EDC streamlined its small business insurance program in 1993. This allows Canadian exporters to obtain insurance against a wide range of foreign market risks, including protection against commercial and political risks such as non-payment or default by the foreign buyer. EDC also made it easier to access lines of credit for Mexico and Kuwait through its regional offices. This new regional

delivery program applies to financing transactions from $50,000 to $5 million (48 allocations were made under the Mexican and Kuwait lines of credit.) This successful program is being expanded in 1994 to cover the majority of EDC's lines of credit.

Spin-off or ripple effects of larger contract signings on small- and medium-sized businesses should also be mentioned. For every multi-million dollar deal EDC finances, literally hundreds of direct and indirect suppliers benefit. In 1993, an estimated 12,500 companies served as direct suppliers to EDC's exporters-of-record.

One example of this spin-off effect was the sale of heavy rail subway cars to Ankara, Turkey, which supported direct and indirect employment of approximately 8,000 person years.

The significant growth in insurance volumes is partly attributed to an increase in bankruptcies, mergers and acquisitions, and fluctuating exchange rates for the Canadian dollar. Because of these factors, companies are becoming increasingly aware that they are exposed to risk not only from their direct buyers, but their customers' customers. As well, larger policy holders are doing even more business with EDC because their businesses are expanding into new markets.

Leveraging financing options
Bob Van Adel, Senior Vice-President, Financial Services, (Fourth from left). (Left to right) June Domokos, Ian Gillespie, Art Pelletier, Marie MacDougall

Banks use insurance services as strategic tools

EDC works in partnership with Canadian and international banks to meet customer service needs. Many Canadian banks are using EDC's insurance services as strategic tools to support their customers' export strategies. Documentary Credits Insurance, for example, provides cover to Canadian banks against commercial and political risk of non-payment by foreign banks and governments in relation to the documentary credits they have issued as payment instruments to Canadian exporters.

Meeting and exceeding customer expectations

(Left to right) Roger Pruneau, Senior Vice-President, Financial Services, Peter Hepburn, Eric Siegel, Carolyn Dabrus

With financial and credit resources tight globally, EDC is committed to exploring every option for leveraging its own resources and to partner with other financial institutions to provide financing packages, insurance or guarantees in support of Canadian exports. In 1993, EDC worked with Canadian banks to support $1 billion in export business.

EDC also increased the number of reinsurance agreements with other credit insurers in 1993. These agreements set the parameters for EDC and its partners to provide insurance for a portion of risks relating to export contracts on surety bonds issued in export transactions. In 1993, EDC signed agreements with OND (EDC's Belgian counterpart), the Banco Nacional de Comercio Exterior in Mexico (BANCOMEX) as well as an agreement with American International Group, a private sector insurer.

Claims activity rises sharply

During 1993, EDC paid $48 million in claims – 167 percent more than the previous year. Iran, the United States and Cuba account for a significant portion of the increase with total claim payments of $19 million, $10 million and $7 million respectively. However, EDC also recovered $16 million from Iran and $3 million from the United States during the same period. Excluding these three countries, EDC paid approximately $12 million in claims in all other markets in 1993.

Another reason for the substantial rise in claims was fewer, but significantly larger, dollar-value default claims. Between 1992 and 1993, the number of claims paid which exceed $100,000, more than doubled. Also noteworthy is that approximately 10 percent of EDC clients who received an indemnity in 1993, were first-time claim recipients.

Market growth by country

Business strategies for today and tomorrow
Gilles Ross, Senior Vice-President and Secretary, Corporate Secretariat and Legal Services, (Second to the left). (Left to right) John Hutchison, Madeleine Brunette, Jean Cardyn

From a market perspective, the United States continued to dominate the Canadian export picture in 1993, with a 20 percent increase in Canadian sales to our major trading partner. EDC supported more than $3 billion of U.S.-destined exports under its insurance program and $820 million in financing. This represented 37 percent of EDC's total insurance volumes, and 26 percent of financing volumes.

Mexico was a significant market for EDC in 1993. In fact, EDC supported more than 75 percent of all Canadian exports to this market. Insurance volumes more than doubled to $466 million over the previous year. Financing volumes for Mexico increased to $154 million, an improvement of $57 million over 1992. Forty-five percent of this financing was under the 11 lines of credit established in that market.

The economic reforms introduced in recent years by several South American countries continued to create opportunities for Canadian exports. In 1993, South American customers increased their purchases of Canadian goods and services by approximately 10 percent, with grain and manufactured goods leading the way. EDC supported almost half of these exports.

Most Asian economies continued to flourish, growing at a healthy average rate of six percent over the year. In 1993, Canadian exports to this part of the world amounted to $16 billion, largely comprised of natural resources. Japan was an important market in this region and the second largest insurance market overall for EDC. Under EDC's short term insurance program alone, EDC supported export transactions to Japan valued at $750 million with wood and meat products figuring most prominently.

China is a key market for EDC, with Canadian exports growing to $1.4 billion. Major exports included telecommunications, power generation, wheat and forestry products. At the end of 1993, EDC had $1.5 billion in outstanding loan commitments to China, indicative of the accelerated growth in this strategic market.

Western Europe continues to be one of Canada's most important trading partners. Traditionally, Canadian exports to this region have been in the forestry and raw materials sectors. However, opportunities for high value-added products and services in the information technology and aerospace industries, remote sensing and geomatics, processed foods and transportation systems, among others, are rapidly emerging.

Managing change
(Left to right) Carolyn Cullen, Jim Curley, Katie Carey, Toby Price

Motivated employees mean satisfied customers
Bill Musgrove, Vice-President, Corporate Services, (Third from left). (Left to right) Rob Kengis, Robert Grapes, Jim Brockbank, Leona Assié

Stemming the Tide of Trade-Distorting Practices

On the international front, EDC worked closely with other members of the Canadian delegation to the OECD and other export credit agencies to stem the tide of trade-distorting practices, with countries mixing their trade and aid dollars.

The result has been sweeping changes to the Arrangement on Guidelines for Officially Supported Export Credits Consensus Agreement. This governs the actions of export credit agencies worldwide. Under recent changes to the Arrangement, the member countries introduced stringent criteria on tied aid credits, including notification and monthly consultation procedures to create transparency and decrease the use of tied aid credits. (These recent amendments to the OECD Arrangement are referred to as Helsinki V.)

The Helsinki V amendments have been in effect for two years and have resulted in a significant reduction in the use of tied aid credits, notably in the power and telecommunications sectors.

EDC also worked closely with Berne Union credit insurance members to establish international acceptance of principles of foreign investment insurance and discipline in the terms of credit for international trade. The Berne Union, as well as the International Insurance Council (which EDC joined this year), provide a forum to promote customer interests through regular and frequent exchanges of information on markets, buyers and the specific underwriting concerns of our customers.

LOOKING FORWARD TO A STRONG EXPORT FUTURE

Canadian opportunities for trade, investment and product development in the global marketplace are immense. In the next decade alone, the world economy is expected to grow by 33 percent – an amount equal to nearly $9 trillion, 14 times Canada's annual output of goods and services. This new growth will mean more potential customers for Canadian products and services around the world.

Goods and services exported from Canada are expected to grow at an average annual rate of approximately 8.5 percent over the next five years. This is a significant improvement over the approximately four percent annual growth recorded over the past five years.

Strong growth is forecast for all capital goods sectors: exports of office machines and related equipment will increase to meet the demand for information technology; telecommunications equipment exports will benefit from strong infrastructure spending in developed and developing countries; and exports of industrial equipment will rise to meet the international drive toward increased productivity.

"We are covered by EDC's Global Comprehensive Insurance, which is a requirement of our bank before we can borrow money. We have filed two claims with EDC. The major benefit for us is that it protects our cash flow when it would otherwise be tied up in litigation."

International Road Dynamics Saskatoon, Saskatchewan
Lorne Green, Financial Controller, (International Road Dynamics exports traffic monitoring systems primarily to the United States.)

DEMAND FOR EDC'S SERVICES GROWS WITH EXPORTS

The forecast for Canadian exports to world markets augers well for EDC and its customers.

In recent years, Canadian businesses have increasingly used EDC's services in the OECD countries, including Canada's largest trading partner, the United States. It is expected that demand will remain high for support in sectors such as aerospace, ground transportation and telecommunications, especially given the increasing competition and demands on exporters to finance up-front costs or share in the risks of new products and technology.

The privatization of infrastructure and reduced government ownership of production is expected to continue among lesser developed countries as a means for governments to obtain new sources of off-balance sheet capital and to instill efficiency through private sector incentives. As a result, EDC will need to be highly responsive to the increased emphasis on international capital markets as sources of funding. For EDC, this means that projects in these countries will become more complicated and risky and will require greater expertise and higher resource costs than before to leverage multiple sources of financing.

Asia Pacific should see the highest economic growth in the world between now and 1998. The region's spending already accounts for 10 percent of the world's total and this figure is likely to grow by another 50 percent over the next five years. The most lucrative trade opportunities are expected to be in capital goods – driven by the region's infrastructure spending boom, with an estimated price tag of U.S.$2.5 trillion over the decade.

Planning for tomorrow

1993 was a significant year for EDC, not only for the positive business results, but for the progress made in several key areas. We concentrated on striving to achieve higher levels of customer satisfaction; increase our traditional support for small- to medium-sized enterprises; forge even stronger ties with our major customers; and establish strategic partnerships with the Canadian and international financial communities.

To build on this foundation, in 1994 we are examining our major business processes to identify opportunities for substantial improvements in performance. Improved business processes will be essential to our ability to manage the challenges of the enhanced legislated powers and to provide our customers with a competitive edge in the ever-changing global marketplace.

Business Volumes
Corporate Account
(in billions $)

Business Volume
Corporate Account
Top 5 Countries
(in millions $)

For The Year
(in millions except percentages and share amounts)

	1993	% (Decrease)	1992	% Increase	1991
Net earnings	**$ 41.00**	**(8)**	$ 44.18	35	$ 32.72
Net earnings per share	**5.20**	**(8)**	5.60	35	4.15
Net earning to averaged					
*Assets	**0.47%**		0.57%		0.48%
*Shareholder's equity	**4.60%**		5.16%		4.02%

(*Average of monthly balances during the year)

At Year End
(in millions except percentages and share amounts)

	1993	% Increase	1992	% Increase	1991
Corporate assets	**$ 9,154**	**13**	$ 8,107	13	$ 7,168
Loans receivable	**7,578**	**3**	7,363	13	6,496
Shareholder's equity per share	**113.58**	**2**	111.52	5	105.94

Summary of Business Volumes
(in millions $)

	Corporate Account	Canada Account	Total
Export Financing	$ 3,193	$ 901	$ 4,094
Export Insurance	8,575	429	9,004
Total	$ 11,768	$ 1,330	$ 13,098

Business volumes achieved are major indicators of support provided to Canadian exporters. EDC's volumes by industry sector and world area are outlined below.

EDC Business Volumes by Industry Sector
(in millions $)

Total Business Volume by Geographic Area
(in millions $)

North America & Caribbean	4 857
Europe	2 269
Pacific & Asia	2 901
Middle East & Africa	665
South America	1 076

EDC Insurance Volumes by Industry Sector
(in millions $)

Export Insurance by Geographic Area
(in millions $)

North America & Caribbean	3 883
Europe	1 357
Pacific & Asia	1 940
Middle East & Africa	555
South America	840

EDC Financing Volumes by Industry Sector
(in millions $)

Export Financing by Geographic Area
(in millions $)

North America & Caribbean	974
Europe	912
Pacific & Asia	961
Middle East & Africa	110
South America	236

Management's Discussion and Analysis of Financial Condition and Results of Operations

This part of the Annual Report provides an explanation and interpretation of EDC's financial corporate strategy, financial condition, changes in financial position, results of operations and prospects for the future from Management's point of view. Also presented is a discussion of how EDC manages credit, liquidity, foreign exchange and interest rate risk relating to both balance sheet and off-balance sheet activities. The discussion is structured as follows:

- **Export Environment**
- **Performance Against Objectives**
- **Operating Results**
- **Portfolio Composition and Quality**
- **Asset and Liability Management**
- **Prospects for the Future.**

Export Environment

Canadian export activity is broadly conditioned by the following factors:
1. Trends in international demand conditions in Canada's major markets;
2. The relative movement of the Canadian dollar and Canadian costs and prices; and
3. Institutional factors in major markets.

International Demand Conditions

EDC anticipated that Canadian exporters would be operating in a gradually improving international market place in 1993. The Corporation expected that world demand would show a modestly accelerating increase through 1993. Overall, however, international growth in the foreseeable future is not forecast to be much different, on average, than what was achieved in recent years.

Canadian Competitiveness

The outlook was for a continued improvement in Canada's competitive position during 1993. Canadian exporters have been better able to control costs, and to achieve higher productivity gains. As a result, differential unit labour costs relative to Canada's major competitors were predicted to decline somewhat. In addition, Canadian exporters would continue to benefit from a decline in the value of the Canadian dollar.

Institutional Factors

Trends and events in international and national trade policy continue to have an important influence on Canadian export performance to the extent that they liberalize or distort markets, and thereby, impact marginal propensities to import. There continue to be three broad sets of issues which are relevant in this respect: the outcome of the Uruguay Round of multilateral trade negotiations (GATT); the policy outlook in the area of regional trade blocs; and underlying the first two, the likely direction of national commercial policy amongst industrialized countries.

The recently concluded Uruguay Round will have significant benefits for world trade by liberalizing service trades, by providing new machinery for policing the GATT and mediating disputes, by helping to inhibit new protectionist measures and by increasing protection for intellectual property rights. The greatest gains to Canada would come from trade in agriculture and services. The extent and timing of cuts in agriculture subsidies under the compromise are such that they may not have a large impact until the latter half of the decade.

Regional Trading Blocs now account for over 40% of world trade. Generally speaking, the increased prominence of trading blocs have had a beneficial influence on the international economy insofar as they have stimulated efficiency through the achievement of scale economies and heightened competition; and encouraged macro-economic stability and regulatory reform.

1993 Performance Against Objectives

In order for EDC to achieve its vision in the context of the above export environment, Management formulated six strategic objectives for the Corporation for 1993. Following is a brief description of these objectives and a comparison of performance against them:

Objective One

Customer Satisfaction

Plan and act with the recognition that Customer Satisfaction is fundamental to every aspect of our business. EDC wishes to attract and retain more customers who are more satisfied and who will capture more export business in partnership with EDC.

Performance: The number of customers served increased to 2,057 in 1993 compared to 1,942 in 1992, a 6% expansion of EDC's customer base. A customer-feedback process was developed which established a Customer Satisfaction Index to monitor the Corporation's progress. Our Customer Satisfaction survey gave EDC a rating of 8.3 on a scale of 10. EDC will strive to achieve a Customer Satisfaction Index of 8.6 in 1994.

Objective Two

Enhance Bench Strength

The Corporation's goal is to invest in its employees in order to provide value to the customer and enhance our core competencies. Core competencies are defined as a Corporate wide set of skills which cut across most products and services in the organization and which provide sustainable comparative advantage.

Performance: The Average Employee Strength during 1993 was 541, an increase of 6% over the 1992 average strength of 512. The Corporation invested $1.5 million in Employee training programmes in 1993 representing a total of 5,781 person-days of training.

Objective Three

Balanced Spread of Risk

Develop a spread of risk in the export insurance and export financing portfolios which maximizes support to our customers while maintaining financial health.

Performance: The Corporation continued its strategy to better manage the business risks it assumes in support of its customers, which contributed to the increased business volumes achieved during the year. In addition, the Corporation concentrated on developing an enhanced understanding of the risks inherent in its present portfolio and potential risks in future portfolios. In order to assist in this endeavour, the Shareholder and EDC have jointly commissioned a study by an independent professional consultant to assist in the development of a methodology to determine the appropriate Equity structure for the Corporation. This study will be concluded in 1994, and its results will enable the Shareholder and EDC to better determine the appropriate Equity structure required by the Corporation to support its risk-taking strategies.

Objective Four

Positive Financial Results

Continually strive for positive financial results to ensure long-term competitive support to customers by securing a solid financial foundation. In this context, EDC's goal is to protect its capital base by achieving an annual return on equity equal to or greater than the rate of inflation. This strategic goal recognizes the critical business realities for EDC: first, every export transaction financed by EDC must be funded by the Corporation within the legislated borrowing limit of 15 times the value of the capital base; and second, in a tight fiscal environment, EDC recognizes that it should not rely exclusively on the Government of Canada to grow the required capital base to sustain the Corporation's growth.

Performance: In 1993, the Corporation had a Net Income of $41 million, representing a Return on Average Equity of 4.6%.

Objective Five

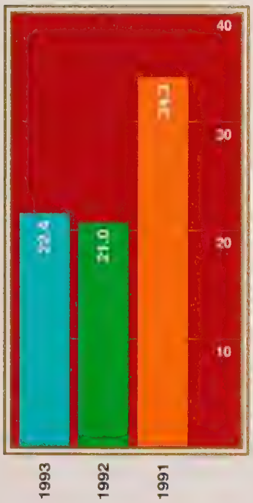
Target Performance Indicators

Achieve a total Corporate account business volume of $8,538 million, composed of export insurance volume of $6,438 million and export financing volume of $2,100 million.

Performance: The Corporation achieved a total business volume of $11,768 million composed of export insurance volume of $8,575 million and export financing volume of $3,193 million.

Target Performance Indicators for 1994 are to achieve a total Corporate account business volume of $13,577 million, composed of export insurance volume of $10,604 million and export financing volume of $2,973 million.

Non-Interest Expense as a % of Total Revenues



Expense incurred consists of salaries and benefits, premises and equipment costs and all other administrative expenses.

Objective Six

Productivity Indicator

Productivity may be measured by the volume of business supported per dollar spent on administration. EDC had a target of $167.40 volume per $1.00 of administrative expense.

Performance: The Corporation achieved $235.40 volume per $1.00 of administrative expense, a 24% increase in productivity in 1993 and has a target of 6% increase in productivity in 1994, where productivity is measured on the same basis as for 1993.

Business volume per employee has reached a record $24.2 million in 1993, up 30% from 1992's level of $18.6 million and up 81% from 1991's level of $13.4 million.

Another measure of productivity is the ratio of expense incurred to generate each dollar of revenue; consequently a lower ratio indicates better productivity. EDC's expense to revenue ratio was 22.4% for 1993, ahead of 1992's ratio of 21.0% but below 1991's level of 34.3%. The increase for 1993 was caused by accounting changes for post-employment benefit expenses and an acceleration of the depreciation charge on computer equipment of $2.5 million.

Operating Results

Overall, business indicators and percentages show record growth in 1993. The Corporation feels that the results are reflective of the successful implementation and positive impacts of the Customer Satisfaction initiatives. EDC will continue these programs into 1994 and beyond in order to contribute to the increasing successes of Canadian exporters while continuing to strive for positive financial results. The financial impacts on Operations of all Corporate activities during the year are reflected in the Income Statement below.

Corporate Account Income Statement

(in millions $)

			1993	1993	1992
	Over (Under) Plan		Actual	Plan	Actual
Loans and Guarantees	Amount	Percent			
Interest earned	35	8.0%	**473**	**438**	486
Interest relief arrangements	(19)	(43.2%)	**25**	**44**	31
Fees earned	16	38.1%	**58**	**42**	42
	32	6.1%	**556**	**524**	559
Less: Provision for losses	121	345.7%	**156**	**35**	153
	(89)	(18.2%)	**400**	**489**	406
Insurance and Guarantees					
Premium and fees earned	18	54.5%	**51**	**33**	39
Less: Provision for claims	9	56.3%	**25**	**16**	19
	9	52.9%	**26**	**17**	20
Investment interest earned	23	33.3%	**92**	**69**	62
	(57)	(9.9%)	**518**	**575**	488
Interest expenses	(47)	(9.9%)	**427**	**474**	399
Administrative expenses	(1)	(2.0%)	**50**	**51**	45
	(48)	(9.1%)	**477**	**525**	444
Net income	(9)	(18.0%)	**41**	**50**	44

Highlights

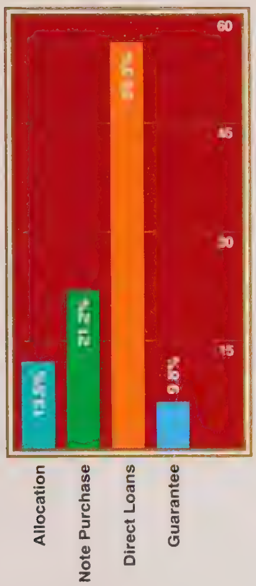
Net Income for 1993 of $41 million was reported compared to EDC's plan of $50 million. This was achieved despite a significant increase in the level of non-performing loans to $2.28 billion.

Interest and Fee Revenue

Interest earned of $473 million during 1993 included interest from the five largest performing sovereign and commercial borrowers listed below (in millions $):

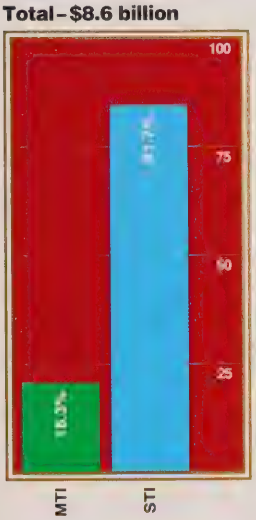
Sovereign		Commercial	
Borrower	**Amount**	**Borrower**	**Amount**
China	$ 66	Amtrak	$ 21
Mexico	35	Aerospatiale	19
India	32	Lufthansa	8
Algeria	31	McDonnell Douglas	7
Venezuela	14	Air Wisconsin	7
Total	**$178**	**Total**	**$62**

Loans Signings
Total – $3.2 billion



Financing Agreements
Loans signings product mix, as shown in the accompanying chart, was consistent with that of 1992.

Insurance Volumes
Total – $8.6 billion



Insurance Services
The proportional volumes of Short Term Insurance (STI) and Medium Term Insurance (MTI) are illustrated above.

Interest relief arrangements of $25 million for the year fell short of the $44 million plan and was lower than the 1992 level of $31 million due to a general decline in short-term interest rates, reducing interest earnings on the floating rate obligations of Egypt and Poland loans.

Provisions for loan losses of $156 million finished the year significantly above the plan of $35 million, but at the same level of 1992 ($153 million). The increases in current provisioning levels were largely a result of increases in non-performing loans, up $341 million from $1,942 million in 1992 to $2,283 million in 1993, and a deterioration of several loans already classified as non-performing. The EDC plan did not forecast the cash receipts from non-performing countries of $70 million, which were applied against the increase in non-performing loans.

Partially offsetting the above two factors were higher than anticipated loan interest and fees earnings for the year, up by $51 million over plan ($35 million in interest earnings and $16 million in fees). Loan interest earnings of $473 million were over the plan of $438 million largely due to the inclusion of $70 million unplanned revenues resulting from cash receipts from non-performing loans, mainly from Brazil, Egypt, Kenya, Peru, and Argentina. Fee earnings of $58 million were higher than the planned amounts ($42 million) due entirely to increased revenue recognition on Brazilian loans in which the receivable balances were accelerated in 1993.

Premium and Fees Earned

Income from insurance operations of $26 million (before investment income and administrative expenses) finished the year ahead of the year's plan of $17 million. Premiums and fees earned of $51 million are $18 million or 55% above the plan because of higher than planned volumes during the latter part of 1992 and throughout 1993. Of the total premiums earned, $36 million or 71% were sourced from short term operations and $15 million or 29% from the medium term operations (contingent liabilities longer than one year).

Financing Activities

Effective funding, foreign exchange and interest rate risk management programs in support of operations yielded investment income of $92 million in 1993 compared to $62 million in 1992.

Interest expense of $427 million for 1993 was $47 million or 10% below the $474 million plan largely as a result of lower than expected interest rates.

In March, EDC paid a $25 million dividend to the Shareholder, a first in the Corporation's history.

Financial Services Delivery

In recognition of the high priority customers place on service quality, EDC, as an important first step in a process to reduce and harmonize the number of contact points for our customers, initiated a major structural reorganization during the year by combining the former Export Financing and Export Insurance Groups under a single operational entity entitled Financial Services. This reorganization improves on our ability to deal with customers in a more responsive and effective manner, and is reflected in the 1993 results.

Accounts Administered for Canada

Export Financing

New direct financing agreements concluded for the year ending December 31, 1993 under Canada Account totalled $901 million, of which $227 million was signed under consensus terms, $256 million under concessional terms and a $418 million loan guarantee.

As at December 31, 1993, actual disbursements amounted to $404 million, of which $207 million were for concessional loans and $197 million for loans signed under consensus terms. Undisbursed commitments as at December 31, 1993, were $642 million, compared with $565 million a year ago.

Principal repayments for the period ending December 31, 1993 were $121 million compared with $154 million a year ago. Loans receivable are now $2,213 million, which is $357 million above the 1992 level of $1,856 million.

Export Insurance

Under the Export Insurance Operations, the volume of insurance and related guarantees provided for during 1993 under the Canada Account amounted to $429 million, a $147 million increase from the 1992 level of $282 million.

Portfolio Composition and Quality

The Balance Sheet below presents EDC's assets, liabilities and shareholder's equity as at December 31, 1993 and comparative 1993 plan amounts (in millions $):

	1993 Actual	1993 Plan	1992 Actual
Assets			
Loans Receivable	7,578	8,040	7,363
Allowance for Losses on Loans	751	579	609
	6,827	7,461	6,754
Investments	2,085	1,183	1,159
Accrued Interest and Other	242	216	194
Total Assets	9,154	8,860	8,107
Liabilities			
Medium and Long Term	6,376	5,074	4,124
Short Term	1,248	2,660	2,622
	7,624	7,734	6,746
Accrued Interest and Other	524	73	385
Allowance for Claims	111	119	97
Total Liabilities	8,259	7,926	7,228
Shareholder's Equity			
Capital	788	788	788
Retained Earnings	107	146	91
	895	934	879
Total Liabilities and Shareholder's Equity	9,154	8,860	8,107

Loans Receivable Portfolio

Within the loans receivable portfolio of $7.6 billion, commercial loans account for $1.6 billion, or 21% of the total portfolio, which is consistent with both the previous year and the Corporate plan.

Direct Financing and Guarantees

During 1993, the Corporation signed $3.2 billion in direct financing and guarantees compared to $2.1 billion in 1992, an increase of $1.1 billion, or 52%. The signing volume of $3.2 billion was spread among borrowers in 21 countries with the five largest country concentrations occurring in the United States, $819 million; China, $592 million; Indonesia, $317 million; Turkey, $315 million; and United Kingdom, $259 million. As well, direct financing supported 94 exporters. The five largest signing volumes were: Pratt and Whitney Canada Inc., $746 million; Northern Telecom Canada Ltd, $509 million; Bombardier Inc., $409 million; SNC-Lavalin International Inc., $350 million; and Babcock & Wilcox Canada Ltd., $280 million.

Loans Receivable

Loans receivable increased to $7,578 million during 1993 from $7,363 million in 1992, an increase of $215 million, or 3%, due entirely to the effect of foreign exchange on a mainly U.S. $ portfolio.

Disbursements

The Corporation disbursed $1,365 million in 1993, mainly against loans signed in 1992 and 1993. This represented a decrease of $329 million or 19% from the amount disbursed of $1,694 million in 1992. The decline is attributed to a large revolving financing facility which expired in January 1993 not being renewed until December 1993. The funds were disbursed during 1993 to approximately 140 exporters with the five largest recipients being Pratt and Whitney, $223 million; Bombardier, $202 million; Northern Telecom, $144 million; McDonnell Douglas, $71 million; and Asea Brown Boveri, $63 million.

Repayments

Loans repayments increased to $1,395 million over the 1992 level of $1,360 million, an increase of $35 million. Prepayments in 1993 were $25 million compared to $66 million in 1992.

Non-Performing Loans

Loans for which there is significant doubt as to collectibility in the short to medium term, or where significant payments have not been received for a period of one hundred and eighty days are classified as non-performing.

Non-performing loans receivable increased by $341 million during 1993 to $2,283 million. Loans classified as non-performing during 1993 totalled $323 million and consisted of loans in Brazil of $132 million; the former Soviet Union of $83 million; Gabon of $54 million; Kenya of $50 million; and, Angola of $4 million. Principal receipts in respect of non-performing loans of $21 million also occurred in 1993.

The off-balance sheet non-accrued interest for non-performing loans increased to $1,134 million in 1993 from $973 million, an increase of $161 million. Cash receipts from non-performing loans totalled $70 million.

Of the $2,283 million in loans receivable, and $1,134 million in non-accrued interest for non-performing loans, $2,195 million in loans receivable and $1,110 million in non-accrued interest are sovereign.

Non-Performing Loans

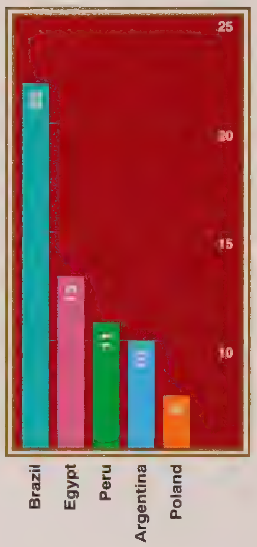
The five largest non-performing loans by country and the related off-balance sheet non-accrued interest receivable are shown below (in millions $):

Country	Loans Receivable	Non-Accrued Interest
Brazil	$ 397	$ 87
Egypt	263	67
Poland	255	240
Peru	253	277
Cameroon	245	88
Subtotal	$1,413	$759
Total	**$2,283**	**$1,134**

Interest Receipts from Non-Performing Loans

Interest receipts from non-performing loans and recognized as interest revenue (excluding debt relief arrangements) were $70 million for 1993, a reduction of $19 million from $89 million in 1992. The lower revenues were attributed to lower floating interest rates and to the number of rescheduling agreements concluded with non-performing countries. In 1993, three bilaterals were signed compared to ten in 1992. When a bilateral is signed arrears generally have to be paid.

Interest Receipts From Non-Performing Loans Top 5 Countries
(in millions $)



Allowance for Loan Losses

During 1993, the allowance for losses on loans increased to $751 million from $609 million at the end of 1992, an increase of $142 million or 23%, after adjustments for write-offs and foreign exchange.

The allowance for losses on loans is based on the application of a rating system on a scale of 1 to 5 for both the sovereign loans and the commercial loans portfolios. The ratings categories have been developed by Management utilizing published Rating Agency statistics, external and internal Economic indicators, and the application of experience and professional judgment.

The following is a breakdown of the allowance for losses on loans by category (in millions $):

Sovereign Risk	Allowance	Commercial Risk	Allowance
Best Risk (1)	$ —	Best Risk (1)	$ 18
Good Risk (2)	29	Good Risk (2)	14
Increased Risk (3)	73	Increased Risk (3)	14
Performing Watch List (4)	26	Performing Watch List (4)	3
Non-Performing (5)	512	Non-Performing (5)	62
Total	**$640**	**Total**	**$111**

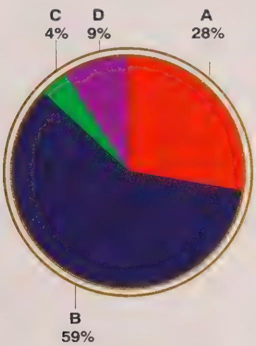
During 1993, the sovereign allowance for losses on loans increased $146 million to $640 million. The additional provision was allocated predominantly to the following non-performing sovereign borrowers: Brazil, Cameroon, Ivory Coast, and Peru for a total of $105 million.

The largest sovereign allowances are applicable to the following countries: Brazil, Cameroon, Ivory Coast, Peru, Egypt, and Poland for a total of $357 million.

The five largest commercial allowances are applicable to borrowers in the former Yugoslavia and the United States for a total of $72 million.

As it is not possible to predict with precision the potential occurrence of events that could affect the payment or nonpayment of obligations by borrowers, Management continues to monitor the international situation and world events, and adjust provisioning levels as deemed necessary. The increase in the Allowance to $751 million compared to the planned amount of $579 million is reflective of the above process.

Spread of Risk–New Short Term Business Total–$7.0 billion



Insurance Portfolio

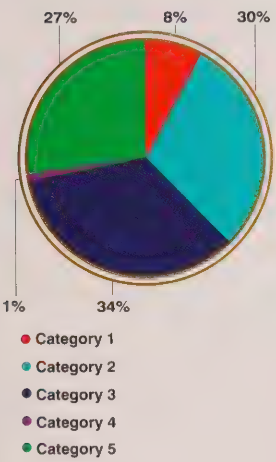
Short Term Insurance

The markets within which insurance coverage is offered are classified as "A, B, C, and D", where "A" markets are the best risk and "D" markets are the highest risk. The risk profile of Short Term Business for 1993 has not changed significantly from the previous year. "A" and "B" markets still account for the largest share of the volumes realized.

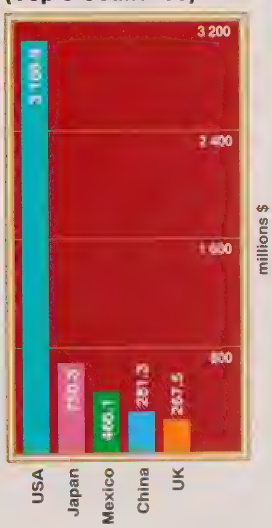
Medium Term Insurance

The markets within which insurance coverage is offered are categorized on a scale of 1 to 5, where 1 is the best risk and 5 is the highest risk. The comparative spread of risk for new business in 1993 is illustrated. The concentration of risk in 1993 volumes is consistent with the risk profile of 1992.

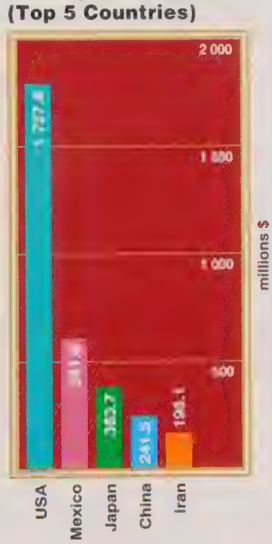
Spread of Risk–New Medium Term Business Total–$1.6 billion



1993 Total Insurance Volume: $8.6 billion (Top 5 Countries)



1993 Total Insurance Liability: $6.0 billion (Top 5 Countries)



Total Premium

The total premium earned for the Corporation totalled $51 million for which the United States, Iran, Mexico, Algeria, and Venezuela totalled $32.8 million.

Claims

(Corporate Account Only)

in millions $	1993
Claims Paid	47.7
Recoveries	21.6
Net Claims	26.1

In 1993, claims paid increased by 167% over 1992. This was mainly the result of claims payments for Iran, which amounted to $19.0 million. However, EDC recovered $16.2 million from Iran during the same period, resulting in a net claims position for Iran at the end of the year of $2.8 million. The United States and Cuba were the two other main countries experiencing high claims payments, with $10.3 million and $6.8 million respectively. While recoveries amounted to $3.4 million for the United States market, there were no recoveries made from Cuba in 1993.

There was a 30% increase in the number of claims paid during 1993. Of the 477 claims paid during the year, the United States was the most active market with 345 claims paid (72%) up from 303 in 1992. The high amount of recoveries in 1993 reflects the quick recoveries on claims in Iran. The standard claims provision ratio of 50% of insurance premiums earned was applied, resulting in a claims provision of $25 million in 1993. Charges to the allowance of $14 million due to write-offs of claims were offset by increases of $2 million, mainly due to foreign exchange. This provision increased the Insurance allowance to $111 million which, according to the actuarial allowance evaluation, was sufficient to provide for the Corporation's needs based on the contingent liabilities outstanding at the end of the year.

Asset and Liability Management

Interest Rate Management

Net Interest Income

Net Interest Income is the difference between interest earned on loans and interest paid on liabilities that fund these assets. Net interest spread is affected by changes in rates for assets and liabilities within the total portfolio.

	1993	1992
Loan Interest and Fees	**6.1%**	6.3%
Interest Expense	**5.5%**	5.8%
Net Margins before Extraordinary Income	**0.6%**	0.5%
Debt Relief	**0.3%**	0.5%
Interest from Non-Performing Loans	**0.9%**	1.2%
Net Margins	**1.8%**	2.2%

As shown, net interest margins for 1993 of 1.8% are down 40 basis points from the December 31, 1992 level of 2.2%, largely as a result of non-performing loan income received contributing a smaller portion to the overall margins than was the case in 1992, 0.9% versus 1.2% respectively.

Future Effective Return for 1993 Signings

(Corporate Account Only)

	1993	1992
All-In Yield (U.S. Fixed Rate Loans)	**8.18%**	9.69%
All-In Spread (U.S. Floating Rate Loans)	**1.53%**	1.87%
Contribution of Exposure Fees	**0.80%**	0.87%
Weighted Average Commitment Fees	**0.23%**	0.16%
Weighted Average Administration Fees	**0.26%**	0.17%

As with the actual results for 1993 above, the effective All-In-Spread for floating rate loans over cost of funds has decreased between 1992 and 1993 due to the increase in EDC business with non-sovereign borrowers. Loans to borrowers in the United States, United Kingdom, France and Germany account for close to 70% of all 1993 floating rate loans. Average spreads in these markets were 0.5%. In the case of fixed rate loans the All-In-Yield was directly influenced by the significant decrease in Consensus Interest Rates throughout the year.

Ratio of Fixed/Floating Rate Loans Signings

The distribution of fixed versus floating interest rate financing has remained relatively stable over the last two years at 35% fixed rate and 65% floating rate. Fixed rate transactions relate mostly to allocations under the China line of credit during 1993 and account for approximately 25% of total transactions. Other fixed interest rate financings were signed in Indonesia, Mexico and Venezuela. The lower levels of fixed interest rate transactions are expected to continue, based on EDC's requirement to respond to demands to move towards more commercial markets as a result of privatization endeavours worldwide, and the relatively stable low interest rate environment for U.S. dollars.

Credit, Liquidity, Foreign Exchange and Interest Rate Risk

Portfolio Positions

EDC manages its assets and liabilities on a portfolio basis. The portfolios are: Fixed and Floating Rate, and Liquidity. Each portfolio is made up of assets and liabilities denominated in a number of currencies including Cdn$, U.S.$, DM, Yen, SF, and ECU. As at December 31, 1993, the percentage of total assets in each portfolio was Fixed Rate 44%, Floating Rate 34%, and Liquidity 22%. The increased Liquidity position was due to the investment of a prefunding position taken earlier in 1993 (U.S. $500 million). Each portfolio is funded by fixed and floating rate long term debt, short term debt, various other non-interest-bearing sources of funds and equity.

EDC manages its exposures to interest and foreign exchange rate risk with the aid of guidelines developed in consultation with the Department of Finance, and approved by the Corporation's Board of Directors. The guidelines relate to the indicators used to measure risk exposures.

It is EDC's policy to measure the existing and potential exposure to foreign exchange and interest rate risk through the enhancement of existing measurement systems and the development of new systems. The Corporation considers that the evaluation of risk exposure is optimized through the use of a number of analytical methodologies, including gap reporting, duration analysis and simulation modelling. EDC continues to develop its asset/liability management information systems to assist the Corporation in measuring, managing and reporting financial risk.

Foreign exchange and interest rate risk exposures are reported on the basis of indicators selected and approved by EDC's management and the Board of Directors. EDC's Treasury Department meets daily and the Corporation's Finance Committee meets weekly to review and discuss interest rate and foreign exchange risks and to forecast borrowing requirements. These activities and the asset/liability positions are reported quarterly (or more frequently as required) to EDC's Asset/Liability Committee and quarterly to senior Management, the Audit Committee of the Board of Directors and the Board of Directors.

The basic principles and exposure guidelines, where applicable, that guide the funding activities are approved by the Board of Directors. The Corporation believes that prudent management of portfolio interest rate risk, rather than a matching of individual assets with specific liabilities, is the optimal method of maintaining management flexibility and minimizing borrowing costs. In this regard, EDC controls interest rate risk exposure such that the exposure will not exceed 35% of projected Net Interest Income for any year within the Corporate planning horizon, given an immediate and sustained interest rate shock of +/- 200 basis points. The guidelines applied to 1994 projected Net Interest Income result in an exposure of 16.6%.

Interest Rate Risk

EDC measures the amount of existing fixed rate assets and liabilities that are forecast to mature in the 1993-1998 period. Interest rate risk exists where there is a mismatch between maturing assets and liabilities in any year. EDC exceeds the guideline for interest rate risk in 1995 and 1998.

Foreign Exchange Risk

EDC endeavours to create liabilities in non-U.S. or Canadian Dollar currencies ("third currencies") matching those of its loans receivable so as to minimize foreign exchange exposure. EDC may use third currencies that have a close correlation with each other as cross-currency hedges and may also assume foreign exchange exposures such that, utilizing foreign exchange shocks of +/- 2 standard deviations to exchange rates related to Corporate exposures, potential foreign exchange losses will be limited to 15% of projected annual Net Interest Income. The result of applying the formula for controlling the maximum impact on projected Net Interest Income to Corporate foreign exchange exposure, as at December 31, 1993, is 4.8%.

EDC limits its total risk position for both foreign exchange risk and interest rate risk to 40% of projected annual Net Interest Income.

Liquidity

EDC maintains Corporate liquidity sufficient to meet its general operating requirements. Such funds are invested in accordance with guidelines approved by the Minister of Finance.

To complement the long term borrowing program, EDC also has Medium Term Note (MTN) Programs for the issuance of up to U.S. $750 million equivalent in notes. These notes may be offered on a daily basis and may be issued with a term varying from one year up to fifteen years. The programs are used to tap specific pockets of demand for EDC debt and to better match fund EDC's assets.

The Corporation also has an ongoing short term paper program (maturing in less than one year) by means of North American-based Canadian and U.S. Dollar commercial paper programs. A European-based Money Markets Registered Claims program, denominated in various currencies, is utilized as a means of supplementing the commercial paper programs. In addition, EDC is studying the possibility of launching a Euro-Commercial Paper program to complement the existing short term borrowing facilities.

The amounts and uses of short term borrowings are a function of both the Corporation's financial dynamics and the capital and money markets. Thus, proceeds from short term borrowings will be used in varying amounts for Corporate cash requirements, funding disbursements on an interim basis until replaced by medium or long term financing, funding floating rate assets when and if required, and for investing in the most effective manner possible in bank deposits and securities as prescribed by the Minister of Finance. The level and uses of short term borrowings are determined on an ongoing basis, as required, to support the business activities of the Corporation.

Prospects for the Future

Implementation of New Legislated Powers

During the year, EDC undertook a review of its legislation, and amendments were subsequently drafted to enable the Corporation to meet and exceed customers' expectations for service and respond to the activities of international competitors. The modernized Export Development Act was drafted as enabling legislation eliminating the inflexibility of the old Act. The Bill received all-party support in both the House of Commons and the Senate and came into force in June 1993.

As the Corporation begins to implement its broadened powers, EDC will be able to provide a wider range of financial services to Canadian exporters to support their export and foreign investment activities. The Corporation will be flexible and tailor its products and services to meet the ever-changing requirements exporters face in the increasingly competitive global environment.

Product development, therefore, will be a focal point of activity well into 1994. EDC plans to increase its services to the customer by enhancing and developing innovative financial products and services.

Exporters of all sizes, both small business and Canadian multinationals, will benefit from EDC being able to provide more flexible arrangements, designed to meet their needs. Some of the proposed new services will assist in strengthening exporters' cash flow positions, or may enable them to obtain or mobilize additional funding from other sources. The new powers will allow the Corporation to help Canadian business in all markets, including Lesser Developed Countries (LDCs) and Newly Industrialized Economies (NIEs) wherever possible, while recognizing the need for prudent financial management of the portfolio.

The Export Development Act includes the provision that some of the broadened powers may be regulated by the Government. The regulations for EDC's broadened powers of leasing, equity participations, domestic financing and domestic insurance are now being considered by the Government. When the regulations come into force during 1994, the Corporation will be able to demonstrate its greater flexibility by implementing those service enhancements to benefit Canadian business.

In terms of actionable strategies, EDC is currently developing business strategies for Corporate accounts, strategic markets and leading industry sectors. It is believed that by focusing on these areas, we will be better equipped to meet the risk management and financing needs of our customers and to use Corporate resources more efficiently.

Strategic markets will be determined by where our customers are and wish to do business, as well as by our knowledge of potential demand for Canadian products and expertise around the world. Moreover, our existing and desired risk portfolio is also an important factor in determining in which markets we will focus our energies. For example, Mexico and China are markets of great interest for both small and large Canadian companies and offer great potential for Canadian exports generally. However, EDC already has considerable exposure in both countries. Therefore, EDC's focus will be on finding solutions that will enable it to meet customer requirements alone or in cooperation with others.

The development of separate strategies for certain industry sectors will benefit both EDC and our customers. By following more closely developments in specific industries such as forestry, aerospace, transportation and telecommunications, we will enhance our risk portfolio management and provide value-added services to our customers by knowing their business better and tailoring our services to their needs. The development of new services such as leasing and equity participation will be an integral part of the industry-sector strategies, notably for the aerospace and telecommunications sectors. Our domestic insurance capability will also be a key strategic element for Canadian firms, strengthening their home-base operations, and enabling them to compete more effectively in international markets.

EDC is re-examining its major business processes and studying the benefits of reengineering. The objective of this study is to seek greater effectiveness and improved responsiveness in order to enhance customer satisfaction with EDC services.

Funding Requirements

The Funding Requirements Table shows requirements on a year-by-year basis. For 1994, EDC requires U.S. $1,045 million of fixed rate funding ($502 of which will be met by existing surplus funds) and U.S. $1,013 million of floating rate funds. EDC continues to accumulate surplus Canadian dollar funds.

Current Funding Requirements

(in millions $)

	U.S.$		Cdn$
Period	**Fixed**	**Float**	**Net**
Position @ Dec 31, 1993	(502)	111	(705)
Dec 31, 1994	1,045	1,013	(290)
Dec 31, 1995	698	892	(9)
Dec 31, 1996	527	1,137	79

Strategy

Fixed Rate Portfolio

The fixed interest rate portfolio has a surplus of fixed rate funds of approximately U.S. $502 million. The surplus funds have been partially invested in U.S. Treasury bonds earning interest. The funding surplus is forecast to continue until the second half of 1994 and therefore no significant U.S. dollar fixed rate borrowing is expected in the first half of the year. A possible exception is the potential for a long term debt issue based on EDC's view that long term U.S. interest rates will reach historic lows.

Floating Rate Portfolio

In late 1993, EDC launched several small size trades (U.S. equivalent of $5 to $20 million) under its MTN program at spreads between Libor less 0.30% to 0.45%. These levels were not available on significant volume. The challenge for 1994 is to fund an estimated floating rate borrowing requirement of U.S. $1 billion at similar or better sub-Libor spreads.

Liquidity Portfolio

EDC believes that there is a possibility the U.S. short term interest rates will rise as the U.S. economy strengthens. Therefore, EDC's liquidity portfolio is positioned to rebalance, if necessary, the maturity structure of investment assets and liabilities.

EDC continues to seek portfolio diversification into sovereign securities, short term deposits and new instruments (including structured notes) in various currencies, while hedging foreign exchange risk. As well, EDC is consulting with the Government of Canada on expanding current investment authorities to allow further portfolio diversification. At the moment, EDC is focused on the Canadian market (T-bills and Government notes) as Canadian interest rates are forecast to continue falling, as well as capitalizing on falling interest rates in Japan and Europe.

Borrowing Plans in 1994

It is estimated that in 1994, EDC's aggregate new borrowings will be $2.7 billion. If EDC begins to finance major new transactions during 1994, or if favorable market conditions dictate the prefunding of a portion or all of 1995 requirements, then EDC's borrowings may increase. During 1994, outstanding borrowings may thus increase by a further $750 million as a result of increased disbursement volume or prefunding of 1995 requirements.

Implications for EDC

The global environment and economic conditions within which the Canadian export community operates have a direct impact on EDC. Some of the key implications are discussed below.

EDC's Canadian export forecast augers well for the growth of EDC's business volumes. The strongest export growth over the planning period is forecast to occur in industry sectors where EDC has a relatively high market share, in particular, transportation equipment, business services and capital goods. Agrifood also appears as a sector for increased growth prospects.

In connection with our outlook for capital goods exports, both industrialized countries and LDCs are expected to increase investment expenditures at a strong rate. Global energy and infrastructure needs, especially in the Pacific Rim NIEs will be especially strong over the forecast period. Given Canadian competencies in these areas, opportunities for EDC financial services in this area are exceptionally good.

Canada continues to benefit from closer integration with United States markets, and we expect the United States to continue to maintain its relative importance to EDC. At the same time, Mexico is becoming a very important market for Canadian firms, and EDC has been increasingly active in supporting a wide range of business to this market. The conclusion of North American Free Trade Agreement (NAFTA) will mean increased opportunities for Canadian exports, particularly in agriculture, telecommunications, and environmental technology in Mexico, and likely increase demand for EDC services.

While EDC will continue to operate in the higher risk segments of the market, it will have to carefully monitor the riskiness of its portfolio so as not to exceed the non-performing loans-to-total loans ratio of 30 per cent.

The Corporation should continue to respond to exporter demand in the United States and other OECD markets arising from a dramatic change in commercial market realities and the terms of trade being faced by exporters in these markets.

In confronting the forces of globalization and increased competition, the organizational strategy of Canadian exporters will increasingly involve among other things: rationalizing production facilities and product lines; cultivating foreign sources of supply; increasing levels of foreign direct investment and strategic alliances with foreign firms; and investing in labour-saving technology. EDC, of course, must keep pace with the evolving needs and challenges of our customers.

Global capital shortages will result in some crowding out of projects at the lower end of the risk/return scale. Since financing will assume larger proportions as a competitive factor, Canadian capital goods exporters may rely increasingly on EDC financing. At the same time, the ascendance of the private sector including privatization of infrastructure and reduced government ownership of production, will continue amongst LDCs in the foreseeable future as a means for governments to obtain new sources of "off balance sheet" capital and to instill efficiency through private-sector incentives. For EDC, this means that projects in LDCs will become more complicated, and will require greater expertise, higher resource costs and likely longer lead times than was previously the case.

The most significant implication arising from the implementation of EDC's enhanced powers is the high expectations that have been created within the export community. EDC will implement new services in a highly responsive and efficient manner. The input from the Customer Satisfaction Index survey as well as ongoing consultations with our customers, allows the Corporation to set customer-based priorities and to make customer-based strategic and policy decisions.

The Financial Statements contained in this Annual Report have been prepared by Management in accordance with accounting principles generally accepted in Canada and have been consistently applied. The integrity and objectivity of the data in these Financial Statements are Management's responsibility. The Financial Statements include some amounts, such as the allowances for losses on loans and claims, that are necessarily based on Management's best estimates and judgement. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the Financial Statements. In support of its responsibility, Management maintains financial and management control systems and practices to provide reasonable assurance that the financial information is reliable, that the assets are safeguarded and the operations are carried out effectively. The Corporation has an internal audit department whose functions include reviewing internal controls and their application, on an on-going basis.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit Committee meets with Management, the internal auditors and the Auditor General of Canada on a regular basis.

The Board of Directors of EDC is responsible for all business undertaken by the Corporation. Contracts which, in the opinion of the Board of Directors, involve risks for a term or an amount in excess of that which the Corporation would normally undertake, may be entered into under the authority of the Governor General in Council where the Minister considers them to be in the national interest. The Board of Directors has the predominant role in the management of this program and is solely responsible for its administration. Funds required for such contracts are paid to the Corporation by Canada, and funds recovered are remitted to Canada, net of amounts withheld to cover related administrative expenses. The administration of accounts on behalf of Canada is shown in Note 14 to the Corporation's Financial Statements.

The Auditor General of Canada conducts an independent audit, in accordance with generally accepted auditing standards, and expresses his opinion on the Financial Statements. His report is presented on the following page.

Paul Labbé *President and* *Chief Executive Officer*	**M.D.J. Bakker** *Senior Vice-President* *and Chief Financial Officer*

AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

To the Minister for International Trade

I have audited the balance sheet of the Export Development Corporation as at December 31, 1993 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1993 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Financial Administration Act, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Export Development Act and the by-laws of the Corporation.

L. Denis Desautels

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
January 26, 1994

BALANCE SHEET
as at December 31, 1993
(in millions $)

	1993	1992
ASSETS		
Investments (note 3)	**2,085**	1,159
Accrued interest	**29**	11
	2,114	1,170
Loans receivable (notes 4 and 5)	**7,578**	7,363
Accrued interest and fees	**98**	120
	7,676	7,483
Less: allowance for losses on loans (note 6)	**751**	609
	6,925	6,874
OTHER		
Recoverable insurance claims (note 9)	**22**	8
Unamortized discount, issue expenses and other assets	**93**	55
	115	63
	9,154	8,107

	1993	1992
LIABILITIES		
LOANS PAYABLE (note 10)		
Short term	**1,248**	1,799
Long term	**6,376**	4,947
	7,624	6,746
Accrued interest	**174**	164
	7,798	6,910
OTHER LIABILITIES AND DEFERRED REVENUES		
Accounts payable	**102**	27
Deferred insurance premiums	**16**	13
Allowance for claims on insurance and guarantees	**111**	98
Deferred loan revenues and other credits	**232**	180
	461	318
SHAREHOLDER'S EQUITY		
Share capital (note 11)	**788**	788
Retained earnings	**107**	91
	895	879
	9,154	8,107

Loan Commitments and Insurance and Guarantees (notes 7 and 8)

Approved by the Board of Directors

W.R.C. Blundell

W.R.C. Blundell
Director

M.D.J. Bakker

M.D.J. Bakker
Chief Financial Officer

Paul Labbé

Paul Labbé
Director

Statement of Income and Retained Earnings
for the year ended December 31, 1993
(in millions $)

	1993	1992
Loans and guarantees		
Interest earned	473	486
Interest relief arrangements	25	31
Fees earned	58	42
	556	559
Less: provision for losses on loans	156	153
	400	406
Insurance and guarantees		
Premiums and fees earned	51	39
Less: provision for claims	25	19
	26	20
Investment interest earned	92	62
	518	488
Interest expense		
Long term	373	314
Short term	54	85
	427	399
Administrative expenses	50	45
	477	444
Net income	41	44
Retained earnings		
Beginning of year	91	47
Dividends paid	25	—
End of year	107	91

Statement of Changes in Financial Position

for the year ended December 31, 1993
(in millions $)

	1993	1992
Operating Activities		
Net income	**41**	44
Items not affecting cash		
Provision for losses on loans	**156**	153
Provision for claims	**25**	19
Accrued interest and fees	**13**	(18)
Other changes	**15**	(53)
Cash provided	**250**	145
Lending Activities		
Loans receivable disbursed	**(1,365)**	(1,694)
Loans receivable repaid	**1,395**	1,360
Items not affecting cash		
Net increase in deferred revenue	**52**	51
Interest rescheduled	**(1)**	(12)
Loans interest and expenses reversed	**(32)**	(13)
Cash provided (used)	**49**	(308)
Financing Activities		
Issue of long term loans payable	**2,193**	1,763
Repayment of long term loans payable	**(955)**	(869)
Decrease in short term loans payable	**(617)**	(609)
Dividends paid	**(25)**	—
Cash provided	**596**	285
Increase in cash and marketable securities	**699**	122
Increase in long term investment	**196**	—
Foreign exchange on opening balance of investments	**31**	75
Investments		
Beginning of year	**1,159**	962
End of year	**2,085**	1,159

For the year ended December 31,1993

1. CORPORATE MANDATE AND ACTIVITIES

Export Development Corporation ("The Corporation") was established on October 1, 1969 by the Export Development Act ("The Act"), a statute of the Parliament of Canada which was amended on June 10, 1993. The Corporation was created as an agent of Her Majesty in right of Canada for the purposes of supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities. This Act as amended gives EDC the flexibility to consider a wider range of options to meet the needs of Canadian exporters and those investing in foreign markets. The Corporation is accountable for its affairs to Parliament through the Minister for International Trade.

The earnings of the Corporation are not subject to the requirements of the Income Tax Act.

As an export credit agency and an agent of Her Majesty in right of Canada, the Corporation benefits from Canada's membership in the Paris Club, an international group, formed to deal on a multilateral basis with payment difficulties experienced by sovereign entities. Through the auspices of this Club and with subsequent negotiation, rescheduling agreements are arranged in conjunction with the implementation of International Monetary Fund disciplines to alleviate these payment problems.

The Government of Canada is of the view that the evolution of the international debt strategy could lead to multilateral agreements to provide debt and debt service reduction by creditor governments in order to facilitate approved economic adjustment programs by certain debtor countries. The Government of Canada has undertaken to compensate the Corporation fully for any financial consequences arising from the Government's participation in multilateral activities to provide debt and debt service reduction.

The Corporation may enter into any arrangement that has the effect of providing to any person any insurance, reinsurance, indemnity or guarantee. The Act specifies that the Corporation's contingent liabilities in respect of the principal amounts owing under all outstanding arrangements shall at no time exceed **$15 billion**, an amount equal to ten times the authorized capital of the Corporation. As at December 31, 1993, the position against this limit is **$6.9 billion** (1992 - $5.7 billion).

As an agent of Her Majesty in right of Canada, all of the Corporation's borrowings carry the full faith and credit of Canada. The Act allows the Corporation to borrow up to a maximum of fifteen times the aggregate of its paid-in capital from time to time and the retained earnings determined in accordance with the most recent audited Financial Statements. This limit for borrowing is **$13.2 billion** (1992 - $8.4 billion), against which borrowings amounted to **$7.6 billion** (1992 - $6.7 billion).

The Corporation enters into transactions with other Government departments, agencies, and Crown corporations in the normal course of business.

2. Summary of Significant Accounting Policies

Investments

Investments are recorded at market value. Gains and losses are included with investment interest earned.

Loans Receivable

Loans receivable are reported in the Canadian dollar equivalent of the original amounts disbursed and include where applicable interest capitalized as part of the rescheduling or restructuring process of loans with payment difficulties.

Loans are classified as accruing or non-performing. Non-performing loans are those where there is significant doubt as to collectibility in the short to medium term, or where significant payments have not been received for a period of one hundred and eighty days. The capitalization of interest in subsequent rescheduling agreements for non-performing loans is not recognized for accounting purposes.

Loan Interest and Fees

Loan interest is recorded on the accrual basis until such time as Management determines that a loan should be classified as non-performing. Subsequently, when a loan is classified as non-performing, the Corporation reverses previously accrued interest against the allowance for losses on loans.

Any interest payment on a non-performing loan is recorded as interest income when received.

A non-performing loan is restored to an accrual basis after a pattern of regular payments has been established, normally after three years. When the Corporation restores the loan to an accrual basis, previously non-accrued interest revenue is recognized over the remaining life of the loan.

Loan fees are normally taken into income over the disbursement and repayment periods of the related loan.

Interest Relief Arrangements

In accordance with the terms of multilateral debt relief and debt service agreements between the Government of Canada and sovereign borrowers, the Corporation accrues as interest revenue amounts due from the Government.

Allowance for Losses on Loans

The allowance for losses on loans is based on a review of collectibility, at least annually, of all loans to commercial and sovereign borrowers.

As the result of the review of all loans to commercial borrowers, the Corporation charges to income an amount sufficient to specifically provide for potential losses on the commercial loans receivable portfolio to reflect the impairment of the related commercial loan assets.

In addition to specific allowances for losses on commercial loans, the Corporation prudently sets aside a general allowance based on Management's best estimates of potential losses on the commercial and sovereign loans receivable portfolio for which no specific provision has been made.

It is Management's opinion, based on the Corporation's experience, that except in the rare instances of outright repudiation or the write-off of asset value agreed to by creditors, the ultimate collectibility of a sovereign obligation is not subject to question although indefinite delays in repayment of principal and interest may have to be accepted.

Recoverable Insurance Claims

Recoverable insurance claims payments are recorded at estimated recoverable values. Subsequent net gains or losses on recovery are credited or charged to the allowance for claims on insurance and guarantees.

Allowance for Claims on Insurance and Guarantees

The allowance for claims on insurance and guarantees is based on a review of net loss experience and potential net losses and represents Management's best estimate of the liability for insured events that have occurred and can be reasonably estimated.

Insurance Premiums

Insurance premiums and fees are earned in Canada. For short term insurance policies, premiums are taken into income at the commencement of coverage. Premiums on other export insurance policies are taken into income using methods which generally reflect the exposures over the terms of the policies.

Interest Expense

Interest expense includes hedging expenses, derivative financial instruments costs, and the amortization of debt discount and issue expenses which are charged to income over the life of the related debt.

Translation of Foreign Currency

The Corporation hedges its U.S. dollar assets and liabilities on a total portfolio basis. Any net exposure to future changes in the U.S. dollar foreign exchange rate is due to short term timing differences in cash flows. It is the Corporation's policy to manage assets and liabilities denominated in U.S. dollars in such a way as to minimize this net exposure. All assets and liabilities in foreign currencies other than U.S. dollars are specifically hedged to minimize exposures. All assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at year end.

Income and expenses are translated at average monthly exchange rates in effect during the year.

Exchange gains and losses resulting from the translation of foreign currency balances and transactions are reported with investment interest earned.

Other Financial Instruments

The Corporation uses a variety of off-balance sheet derivative financial instruments, such as forward exchange contracts and currency swaps, interest rate swaps, options, caps and floors, and futures, to reduce market risks and funding costs.

Gains or losses arising from transactions designated as hedges are deferred and recognized in income over the remaining life of the hedged item. The costs of issuing these instruments are included in interest expense.

3. Investments

(in millions $)

The Corporation maintains a liquidity position in various instruments to meet its general operating requirements.

	1993	1992
Cash and short term deposits	**792**	755
Marketable securities	**1,097**	404
Long term investment [1]	**196**	—
	2,085	1,159

[1]Related Party Transaction (Promissory Notes, Ridley Terminals Inc., maturing 1998)

4. Loans Receivable

(in millions $)

Loans receivable mature as follows:

	1993	1992
Non-performing	**2,283**	1,942
Within 12 months – fixed	**580**	680
– floating	**422**	463
Overdue	**11**	77
1994	**—**	811
1995	**731**	609
1996	**613**	558
1997	**578**	458
1998	**504**	377
1999 and thereafter	**1,856**	1,388
Total	**7,578**	7,363
Commercial loans included above	**1,572**	1,683
Floating rate loans, generally based on LIBOR rates, included in total loans	**3,285**	3,061

The geographic distribution of these loans is as follows:

	1993	1992
Pacific and Asia	**1,857**	1,643
Middle East and Africa	**1,497**	1,521
Europe	**1,272**	1,211
North America and Caribbean	**1,440**	1,545
South America	**1,512**	1,443
Total	**7,578**	7,363

5. Non-Performing Loans Receivable

(in millions $)

The geographic distribution of non-performing loans and off-balance sheet non-accrued interest is as follows:

	1993		1992	
	Principal	**Interest**	Principal	Interest
Pacific and Asia	—	—	—	—
Middle East and Africa	**852**	**317**	739	249
Europe	**496**	**292**	411	260
North America and Caribbean	**59**	**72**	69	65
South America	**876**	**453**	723	399
Total	**2,283**	**1,134**	1,942	973
Commercial loans included above	**88**	**24**	99	14

The total off-balance sheet non-accrued interest which has accumulated during the year was **$129** (1992 - $63).

The Corporation received interest payments of **$70** in 1993 (1992 - $89) from loans designated as non-performing. This amount was taken into income when received and is included in interest earned.

6. Allowance for Losses on Loans

(in millions $)

The Allowance for losses is as follows:

	1993	1992
General allowance	**689**	553
Specific allowance	**62**	56
Total balance sheet allowance	**751**	609

During the year, the amount charged to the allowance was **$32** (1992 - $14), comprised mainly of interest reversals on loans classified as non-performing.

7. Loan Commitments

The Corporation had undisbursed commitments on signed loan agreements of **$3,785 million** (1992 - $2,279 million).

The Corporation expects to fund these undisbursed commitments near the time of their disbursement, typically over a three year period, by issuing a combination of debt instruments in world capital markets at commercial rates of interest and capital stock. The Corporation generally attempts to match debt maturities and currencies with those of its loans on a portfolio basis.

8. Insurance and Guarantees

(in millions $)

The geographic distribution of insurance policies in force and guarantees of the Corporation is as follows:

	1993	1992
Pacific and Asia	**1,323**	1,123
Middle East and Africa	**512**	657
Europe	**1,105**	822
North America and Caribbean	**2,472**	1,723
South America	**612**	605
Total	**6,024**	4,930

9. Recoverable Insurance Claims

(in millions $)

In 1993, the Corporation paid claims on insurance of **$48** (1992 - $18), and recovered claims of **$22** (1992 - $3). Claims of **$14** (1992 - $13) were charged to the Allowance for Claims in 1993.

10. Loans Payable

(in millions $)

The Corporation issues debt instruments in world capital markets at commercial rates of interest. Long term instruments are issued by the Corporation in U.S. dollars, Japanese yen, British pounds, Australian dollars, European Currency Units (ECU), Swiss francs and Canadian dollars. Most non-U.S. dollar issues were swapped to U.S. dollars. Currencies of repayment of these long term instruments are as follows:

	1993	1992
U.S. dollars	**5,945**	4,708
ECU	**148**	154
Canadian dollars	**283**	85
Total	**6,376**	4,947

Total Loans payable mature as follows:

	1993	1992
Within 12 months – fixed	**617**	490
– floating	**1,781**	2,133
1994	**—**	1,013
1995	**154**	72
1996	**721**	350
1997	**235**	262
1998	**1,521**	135
1999 and thereafter	**2,595**	2,291
Total	**7,624**	6,746
Loans included above at fixed rates (effective interest rate **7.44%**; 1992 - 8.0%)	**4,295**	3,103
Floating rate and short term fixed rate revolving loans (effective interest rate **3.08%**; 1992 - 3.7%)	**3,329**	3,643

11. Share Capital

The authorized share capital is $1.5 billion consisting of 15 million shares with a par value of $100 each. The number of shares issued and fully paid is **7.9 million** (1992 - 7.9 million). During 1993, the Corporation issued no shares.

12. Foreign Currency Balances

(in millions $)

The Corporation has substantial assets and liabilities in U.S. dollars and in other currencies. The Canadian dollar equivalent after taking into consideration forward exchange contracts is as follows:

	1993	1992
U.S. DOLLARS		
Assets	**7,292**	6,707
Liabilities	**7,294**	6,708
Net balance	**(2)**	(1)
Rate of exchange U.S. $1.00	**1.3240**	1.2709
OTHER CURRENCIES		
Assets	**504**	421
Liabilities	**603**	506
Net balance	**(99)**	(85)

13. Financial Instruments With Off-Balance Sheet Risk

In any transaction there is always an inherent risk of loss. These risks may be classified as credit risks, wherein the counter-party to a transaction does not perform as agreed, or market risks where an exposure exists as a result of changes in foreign exchange and interest rates.

The Corporation manages its exposure to credit risk by dealing only with financial institutions having very high credit ratings. Internal procedures establish proper credit approvals, controls and monitoring. The Corporation does not anticipate any significant nonperformance by the counterparties due to the control procedures in place. As at December 31, 1993, the largest singular exposure to any institution amounted to **$134 million** (1992 - $55 million).
To limit its exposure to market risk, and to reduce its funding costs, the Corporation, during the year, used hedges and derivative financial instruments with off-balance sheet risk. Financial instruments, mostly in U.S. dollars, with contractual or notional principal amounts outstanding as at December 31, 1993 were as follows (in millions $):

	1993	1992
Foreign exchange contracts	**1,415**	2,198
Currency swaps	**1,605**	1,161
Interest rate swaps	**2,589**	2,188
Interest rate caps sold, exposure until 1998 (U.S.$)	**350**	350
Interest rate options written, expire April 1998 (U.S.$)	**800**	706

Credit risks inherent in the hedges, derivative financial instruments and investments have been estimated not to exceed $13 million. Accordingly, an allowance for credit risk of $13 million (1992 - $6 million) has been established. This amount is included in the Accounts Payable.

14. Accounts Administered for Canada

(a) Pursuant to the Act, the Corporation administers for Canada certain loans and insurance programs entered into under the authority of the Governor in Council for which the Board of Directors has the predominant role in the management of the program and is solely responsible for its administration. These accounts are maintained separately from the Corporation's accounts, and are consolidated annually as at March 31 with the financial statements of the Government of Canada which are reported upon separately by the Auditor General of Canada. The assets administered for Canada, mainly loans receivable and accrued interest and fees recorded in accordance with accounting policies and practices approved by the Government of Canada, amounted to **$2,333 million** (1992 - $1,906 million).

(b) Statutory limits, commitments and insurance in force

The Act allows the Accounts administered for Canada to have outstanding loans and commitments to foreign borrowers, and liabilities under contracts of insurance up to a maximum of $13 billion. The position against this limit, determined in accordance with the requirements of the Act, is **$3,976 million** (1992 - $2,757 million).

(c) The Corporation received reimbursement of expenses and administration fees from Canada of **$13 million** (1992 - $11 million).

as at December 31
(in millions $)

BALANCE SHEETS

	1993	1992	1991	1990	1989
Loans receivable	**7,578**	7,363	6,496	5,978	5,398
Less: allowance for losses	**751**	609	449	410	376
	6,827	6,754	6,047	5,568	5,022
Investments	**2,085**	1,159	962	1,293	1,352
Accrued interest and other assets	**242**	194	159	179	193
Total assets	**9,154**	8,107	7,168	7,040	6,567
Loans payable	**7,624**	6,746	5,914	5,855	5,472
Accrued interest and other liabilities	**524**	384	333	352	341
Allowance for claims	**111**	98	86	47	49
Total liabilities	**8,259**	7,228	6,333	6,254	5,862
Share capital	**788**	788	788	772	697
Retained earnings	**107**	91	47	14	8
Shareholder's equity	**895**	879	835	786	705
Total liabilities and shareholder's equity	**9,154**	8,107	7,168	7,040	6,567

INCOME STATEMENTS

	1993	1992	1991	1990	1989
Loan interest and fees earned	**531**	528	483	503	513
Interest relief arrangements	**25**	31	29	—	—
Insurance premiums and fees earned	**51**	39	30	26	26
Investment interest earned	**92**	62	68	113	91
Total income	**699**	660	610	642	630
Interest expense	**427**	399	417	501	507
Provisions for losses and claims	**181**	172	117	96	284
Administrative expenses	**50**	45	43	39	38
Total expenses	**658**	616	577	636	829
Net income (loss)	**41**	44	33	6	(199)

Corporate Account
(in thousands $)

Financial Arrangements Facilitated

	1993	1992	1991	1990	1989
Export Financing					
Direct financing	**3,191,191**	2,066,377	1,411,405	1,271,129	1,255,695
Related CIDA loans and other financing	**2,082**	13,864	25,826	4,656	41,949
Sub total	**3,193,273**	2,080,241	1,437,231	1,275,785	1,297,644
Export Insurance					
Short term insurance	**6,742,640**	5,227,262	3,817,181	3,315,634	3,169,992
Medium term insurance	**1,352,999**	1,075,971	1,046,093	1,411,479	980,572
Guarantees	**479,760**	287,019	214,731	116,731	294,221
Sub total	**8,575,399**	6,590,252	5,078,005	4,843,844	4,444,785
Total	**11,768,672**	8,670,493	6,515,236	6,119,629	5,742,429

Financial And Other Data

	1993	1992	1991	1990	1989
Export Financing					
Number of transactions financed	**164**	154	163	147	171
Number of loans receivable	**878**	914	903	822	758
Total obligations on loans receivable	**8,466,105**	8,243,071	6,929,439	6,275,067	5,497,766
Number of undisbursed loans	**247**	264	280	269	254
Undisbursed loans	**3,785,143**	2,280,503	1,862,657	1,900,514	2,203,300
Disbursements to exporters during period	**1,364,817**	1,706,697	1,494,023	1,394,594	853,641
Liability on loan guarantees	**145,181**	19,963	22,332	22,584	17,264
Undisbursed amounts on loan guarantees	**81,882**	855	2,481	6,363	15,050
Current lines of credit and protocols	**34**	38	40	32	42
Amounts available for allocation	**2,697,015**	3,366,026	4,023,741	2,730,887	2,979,658
Loan amounts rescheduled	**83,347**	981,634	918,854	474,677	367,490
Loan amounts written off	**1,381**	930	—	652	2,610
Export Insurance					
Number of policies issued	**1,819**	1,570	1,573	1,215	1,486
Insurance policies and guarantees in force	**3,000**	2,432	2,330	1,936	2,332
Liability on insurance and guarantees	**6,606,525**	5,676,827	5,363,849	4,748,087	4,342,753
Claims paid	**47,740**	18,412	13,635	28,149	19,793
Claims recovered	**21,598**	2,593	12,469	4,945	16,231
Claims outstanding at year-end	**60,679**	39,993	33,136	41,399	27,093
Claims under consideration at year-end	**2,474**	3,111	3,403	4,514	8,994
Average Employee Strength During Year	**541**	512	513	514	500

Canada Account
(in thousands $)

Financial Arrangements Facilitated

	1993	1992	1991	1990	1989
Export Financing					
Direct financing	**901,278**	550,819	243,851	198,330	205,684
Related CIDA loans	**—**	8,250	4,300	—	2,000
Sub total	**901,278**	559,069	248,151	198,330	207,684
Export Insurance					
Short term insurance	**37,922**	80,496	58,899	25,394	14,304
Medium term insurance	**340,822**	199,169	33,790	28,812	75,897
Guarantees	**50,037**	2,280	—	24,502	—
Sub total	**428,781**	281,945	92,689	78,708	90,201
Total	**1,330,059**	841,014	340,840	277,038	297,885

Financial And Other Data

	1993	1992	1991	1990	1989
Export Financing					
Number of transactions financed	**33**	16	34	34	55
Number of loans receivable	**239**	209	197	145	92
Total obligations on loans receivable	**2,213,261**	1,855,880	1,447,707	1,094,491	895,701
Number of undisbursed loans	**94**	108	133	108	79
Undisbursed loans	**641,818**	565,750	341,203	446,417	489,454
Disbursements to exporters during period	**403,661**	388,929	345,247	239,150	117,667
Current lines of credit and protocols	**2**	3	2	1	1
Amounts available for allocation	**110,000**	285,853	299,583	290,091	350,000
Loan amounts rescheduled	**62,254**	86,099	256,085	87,338	72,633
Export Insurance					
Number of policies issued	**25**	32	20	21	12
Insurance policies and guarantees in force	**41**	48	33	25	17
Liability on insurance and guarantees	**721,292**	380,044	152,470	88,557	62,284
Claims paid	**1,395**	373	—	—	2,913
Claims recovered	**—**	—	1,032	—	3,045
Claims outstanding at year-end	**1,851**	456	83	83	83

Board of Directors – as at December 31, 1993

William Blundell
Corporate Director
Toronto, Ontario
Vice-Chairman of the Board of Directors
Chairman of the Audit Committee of the Board
Member of the Executive Committee of the Board

Lloyd Callahan
President
Callahan Construction Company Ltd.
Kelowna, B.C.
Member of the Business Development Committee of the Board

Timothy Chisholm
President
Ronald A. Chisholm Limited
Toronto, Ontario
Member of the Audit Committee of the Board

John Chomiak
President
Hemisphere Engineering Inc.
Edmonton, Alberta
Member of the Business Development Committee of the Board

David Dodge
Deputy Minister
Department of Finance
Ottawa, Ontario

Brian Gallery
Publisher and Editor
Canadian Sailings
Montreal, Quebec
Member of the Business Development Commitee of the Board

Allen Kilpatrick
Deputy Minister for International Trade and Associate Under-Secretary for Foreign Affairs
Ottawa, Canada
Member of the Executive Commitee of the Board

Nairn Knott
Financial Executive
Vancouver, B.C.
Member of the Business Development Committee of the Board

Paul Labbé
President and Chief Executive Officer
Export Development Corporation
Ottawa, Canada
Member of the Executive Committee of the Board

Jacques Laurent, Q.C.
Senior Partner
Guy & Gilbert
Montreal, Quebec
Member of the Audit Committee of the Board
Member of the Executive Committee of the Board

Thomas Munn
President
Munn & Company Limited
Mount Pearl, Newfoundland
Member of the Audit Committee of the Board

Maureen Sabia
Barrister and Solicitor
Toronto, Ontario
Chairman of the Board of Directors
Chairman of the Executive Committee of the Board

Bruce Sully
Chairman
Rosny Holdings Limited
Goderich, Ontario
Chairman of the Business Development Committee of the Board

Executive Management Committee

Paul Labbé
President and Chief Executive Officer

Bob Van Adel
Senior Vice-President
Financial Services

Martin Bakker
Senior Vice-President and Chief Financial Officer

Bill Musgrove
Vice-President
Corporate Services

Roger Pruneau
Senior Vice-President
Financial Services

Gilles Ross
Senior Vice-President
Legal Services and Secretary

Senior Management

David Baxter
General Manager
Information Technology

June Domokos
General Manager
Asia and Pacific

Ruth Fothergill
General Manager
Quality and Customer Satisfaction

Glen Hammond
Regional Vice-President
Western Region

Louise Landry
General Manager
Strategic Planning and Corporate Affairs

Toby Price
Regional Vice-President
Quebec and Atlantic Region

James Brockbank
General Manager
Americas

George Elliott
Controller
General Accounting

John Gagan
Vice-President and Corporate Controller
Financial Accounting

Wayne Hughes
General Manager
Human Resources

Marc Leduc
General Counsel
Legal Services

Eric Siegel
Team Leader
Reengineering Team

Rolfe Cooke
Regional Vice-President
Ontario Region

Patrick Escleine
General Manager
Medium Term Insurance

Ian Gillespie
Vice-President
Insurance Services

John Hutchison
Chief Underwriter
Short Term Insurance

Clare Marshall
Vice-President and Treasurer
Treasury

Henri Souquières
General Manager
Africa, Middle East and Europe

Don Curtis
Vice-President
Operations Services

Peter Foran
Vice-President
Sales and Marketing

Janice Graves
General Manager
Business Services and Planning

Nawal Kamel
Chief Economist
Economics

Mike McLean
Vice-President
Strategic Planning and Corporate Affairs

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Ce document est aussi disponible en français.

EDC
SEE

1994
Annual Report

Helping Canadians Compete

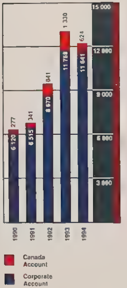
EDC (Export Development Corporation) is a customer-driven financial services corporation dedicated to helping Canadian business compete and succeed in the global marketplace

EDC provides a wide range of flexible and innovative financial solutions to exporters across Canada and their customers around the world. Its risk management services – including insurance, financing and guarantees – have become an integral part of the export strategies of many large and small Canadian companies.

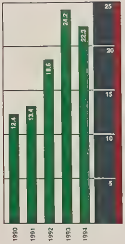
The Corporation encourages the growth of small- and medium-sized enterprises and is committed to building long-term relationships with its customers and partners at home and abroad. Strengthening the competitiveness of our exporters helps create and sustain jobs and growth in every region of Canada and every sector of the economy.

Highlights

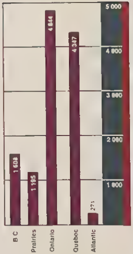
Business Volume
($ in millions)



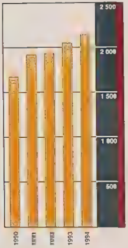
Business Volume per Employee
($ in millions)



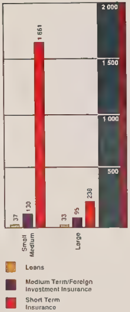
Business Volume by Region
($ in millions)



Customers Supported
(number of companies)



Small/Medium and Large Size Customers
(by EDC program)



- A total of 2,146 customers used EDC's products and services in 1994: an increase of 4% over the previous year.
- Approximately 423,000 person-years of employment were created or sustained by Canadian exporters using EDC's services.
- 1,309 Canadian small businesses benefited from EDC's programs.
- Business volume (Corporate and Canada Accounts) totalled $12.3 billion.
- Business volume per employee (Corporate and Canada Accounts) totalled $22.3 million.

EDC
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EDC was established more than 50 years ago to help Canadian exporters compete in international markets. As a nation that lives by trade our prosperity has always been linked to export success, and never has this been more true than in the year just passed. In 1994 exports accounted for 30% of Canada's gross domestic product and fueled an economic recovery whose growth rate ranked among the highest in the OECD.

EDC has been privileged to be a valued partner in that success and, as we enter our second half-century, we remain committed to providing our customers with financing and risk-management services second to none.

Building our capacity for risk

Canada's exports grew a record 21% in 1994, and are forecast to grow an average 8% annually for the balance of the decade. Since our capacity to assume additional risk varies directly with our underlying financial strength, protecting and building our capital apace with our customers' success has become a key strategic challenge. In short, ensuring long-term competitive support to Canadian exporters increasingly means improving the long-term strength of our balance sheet.

To that end we have set as a key financial objective annual returns on equity at least equal to the rate of inflation, with retained earnings contributing to support for future export growth. This modest target represents substantial support to exporters while recognizing the requirement for a measure of income adequate to the Corporation's – and its customers' – future needs.

This year's results were heavily influenced by the government's decision to forgive a portion of the debt owed to Canada by Poland and Egypt, as part of the G-7's efforts to ease the long-standing financial problems of these nations. Through these arrangements, the government repaid EDC on the borrowers' behalf for 50% of the principal of these loans. This dramatically increased net income to $171 million and boosted retained earnings at year end to $278 million. Setting aside the impact of these extraordinary measures, the Corporation's underlying income for 1994 was $20 million and its return on equity was 2.1% , consistent with its long-term financial goals.

Further strengthening our balance sheet in 1994 was the addition of $140 million in provisions for loan losses, bringing the total accumulated allowance for such losses to $935 million. In addition, the allowance for claims on insurance and guarantees increased to $149 million as a result of additional set-asides of $40 million. These reserves, net of write-offs, have more than doubled over the past five years. At year end, non-performing loans totalled $1.8 billion or 20.5% of total loans receivable, down substantially from 30.1% a year ago.

Taken together, we believe our 1994 results leave us well positioned to manage substantial additional risk. We are also trying to increase leverage of private-sector funds through our activities, thereby stretching our capacity still further.

Facing tougher competition abroad

Financial strength is essential not only to cope with the challenges posed by rapid export growth at home, but also to support our customers in more competitive and risky environments abroad.

Over the next decade, annual GDP growth in the developing world is forecast to average 4.8%, almost twice that of the developed world. The demand for goods, services and infrastructure implied by that growth represents tremendous opportunities for Canadian exporters – perhaps especially so for smaller compa-

nies nimble enough to exploit specialized niches as they unfold. EDC has a unique role to play in helping Canadians diversify the markets for their goods into these high-growth areas.

Yet competition to meet this demand will be fierce. Developing countries are becoming increasingly important engines of growth for western producers. Importers everywhere will find themselves in a buyer's market with vastly increased leverage. Exporters and the institutions supporting them will have to become much more adept at tailoring customized packages to meet buyer needs.

A key element of those packages will be financing. The demand for capital posed by the rapid industrialization and urbanization of the developing world has been estimated at $3 trillion over the balance of the decade. In addition, tight fiscal conditions have made governments throughout the world more reliant on the private sector to deliver infrastructure, sharply increasing demand for project finance. Competition for funds will be even tighter in 1995 given the recent exchange-rate crisis in Mexico and the ensuing capital squeeze – a scenario exacerbated by the possibility of further interest-rate hikes in the U.S.

Paul Labbé
President and
Chief Executive Officer

For Canadian exporters, this means that the ability to bring the appropriate financing expertise and packaging capability to the table will be increasingly important to clinching any deal. EDC in turn faces greater pressure to establish partnerships, provide bridge capital, and find new ways to tailor solutions to meet individual needs. We also find ourselves confronted with managing risk in altogether new ways in a world for which there is little precedent.

Projects must increasingly be financed through the private sector on a stand-alone basis, relying on future earnings rather than sovereign backing for creditworthiness. As government entities give way to commercial ones, sovereign guarantees are being replaced by limited-recourse structures as numerous and varied as the projects they support. Five years ago our loan portfolio was roughly 85% sovereign and 15% commercial: today more than 60% of new lending is to commercial borrowers.

This change reflects not only the unwillingness of governments generally to assume additional debt but also the widespread transition from state to market economies. Sweeping decentralization and privatization are occurring in many countries which, while offering immense potential, lack mature accounting, legal and regulatory frameworks to shore them up. The resulting uncertainty is often compounded by high levels of political risk.

Declining trade barriers, highly portable technology, as well as the power and mobility of global capital markets have combined to place tremendous stress on traditional political and social structures in many parts of the world. Partly in response to these invasive forces, ethnic and cultural fault lines have come into sharp and sometimes violent relief, both within and between nations. The conflicting pulls of economic integration and cultural retrenchment threaten the ability of several governments to exert meaningful control over their jurisdictions: witness

civil war or unrest in the former Soviet Union and Yugoslavia, many parts of Africa, and even in pockets of Asia, Latin America and the Middle East. Many of these conflicts seem beyond the reach of international institutions and pose great challenges to anyone trying to structure financing packages and manage risk over extended terms. In this highly volatile environment, EDC's core insurance products will be all the more vital to Canadian exporters seeking to penetrate new markets, compete and succeed.

Notwithstanding these complex challenges, EDC is determined to keep its customers on a competitive playing field and help them capture the wealth of opportunities international markets present. We are committed to working in partnership with them and with other financial institutions to maximize value and improve the odds of success. Clearly governments and public-sector enterprises are not exempt from the pressures which have caused widespread restructuring in the private sector during recent years. We know that we are increasingly measured by our contribution to the overall value-creation process in the economy. To that end EDC took several steps in 1994 not only to reinforce our financial strength and ability to take on risk, but to develop new and better ways of serving customers.

Alexander Stuart
Chairman of the Board of Directors

Changing to meet our customers' needs

To improve service to all of our customers we began a fundamental restructuring of the Corporation. A flatter organization combined with a greater degree of delegation will produce faster decisions, streamlined processes, and improved ability to provide integrated and customized solutions. The goal is not to meet an organizational ideal but to create a more efficient and productive EDC, faster on its feet, better able to meet exporter needs, and more adept at meeting the Corporation's financial objectives. A special Change Management Team has been formed to ensure this transition is managed effectively for customers and employees alike.

To help meet the demands posed by the evolving international marketplace, we strengthened our project-finance capability by drawing together a specialized new team. Its role is systematically to analyze legal and regulatory systems and structure new forms of financing for customers involved in limited-recourse projects. We were pleased to see our capabilities in this area given leading recognition by our peers during 1994. Moreover, as a result of legislative changes initiated two years ago, we can now support our customers with a unique combination of debt, equity and political risk insurance: something no other export credit agency in the world can do.

We also established risk-sharing protocols with international bodies such as the European Bank for Reconstruction and Development, and opened for business in several emerging markets where our customers told us they needed greater support. By improving their access to financing and risk-management services, these measures will strengthen the competitiveness of Canadian exporters pursuing business in Central and Eastern Europe, Latin America, Asia and the Middle East.

Risk-sharing agreements are also being developed to allow exporters of all sizes to offer medium-term financing to foreign borrowers through Canadian financial institutions. We have also concluded reinsurance agreements with our counterparts in the U.S., Mexico and Belgium.

Several steps are underway as well to help small and emerging exporters tap into growing export opportunities. In partnership with Canada's banking community, a new short-term export receivables guarantee program is being developed to improve smaller companies' access to working capital. In addition, a 1-800 number will improve access to information, and a dedicated business team is being formed to provide specialized products, service and expertise tailored to small-business needs.

Looking forward

The government has invested $813 million in EDC since inception. The Corporation has not only preserved that capital by operating on a self-sufficient basis, but has added to it through retained earnings and protected it with substantial allowances for loan losses and claims. As a result, the government's investment has been recirculated innumerable times, supporting more than $100 billion in exports to 130 countries. Those exports have come from every region of the country and every sector of the economy, and have helped create or sustain more than three million Canadian jobs.

As we begin our second half-century, we are determined to provide all of the resources – human, technical and financial – required to ensure the continuation of that success. We are moving aggressively to respond to the pressures created by fiscal constraint at home and by capital scarcity and financial and political risk abroad. We are very conscious that our success hinges on the quality of our service which, in turn, depends on the highly skilled and dedicated staff we are fortunate to employ. We are grateful to each and every one of them for their outstanding performance. Our customers, and Canadian taxpayers, deserve nothing less.

Finally, we would like to acknowledge the contribution of our Board of Directors to EDC's ongoing success. In March of 1994 Alexander Stuart, Chairman of The Electrolyser Corporation Ltd., was appointed Chairman of the Board. We were also joined early in the year by Huguette Labelle, President, Canadian International Development Agency, and Jean McCloskey, Associate Deputy Minister, Department of Finance, who was succeeded late in the year by Louise Fréchette in the same capacity. Toward the end of the year we also welcomed Dorothy Byrne, Vice-President, Law and Regulatory Affairs and Corporate Secretary, BC Telecom Inc. and BC Tel, Jane Martin, President and Chief Executive Officer, Vas-Cath Incorporated, and James Pattillo, President and Chief Executive Officer of XL Foods Ltd. During the year Maureen Sabia retired as Chairman of the Board after several years of distinguished stewardship from which we benefited greatly. Tim Chisholm, David Dodge, and Bruce Sully also retired after lengthy and valued service. We will miss their wise counsel and wish to thank each of them for their efforts on our behalf.

Alexander K. Stuart
Chairman of the Board of Directors

Paul Labbé
President and Chief Executive Officer

Listening and Leading in a Changing World

Throughout 1994, Canadian business faced an increasingly complex and competitive trade environment. This changing environment has created new market demands and requires that EDC's financial services not only address the concerns of business today, but be managed to meet exporters' needs as they develop in the future. Only by listening and responding to customers can EDC enhance competitiveness through creative partnerships at home and abroad.

Financial Results

Listening to customers and responding to the marketplace in 1994 helped EDC post business volumes of $11.6 billion in our insurance and lending operations and a net income of $171 million. Insurance volumes grew by 14% to $9.7 billion, while financing maintained a healthy volume of $1.9 billion despite the postponement of several large, sovereign-structured transactions. Insurance claims paid-out in 1994 totalled $47 million. More than 79% of 1994 claims activity resulted from commercial loss in the highly competitive and risky U.S. commercial market.

Office of the President:
(l to r) Roger Pruneau, Executive Vice-President Operations; Paul Labbé, President and Chief Executive Officer; Martin Bakker, Executive Vice-President and Chief Financial Officer.

EDC's robust financial performance in 1994 is the best guarantee of its continuing ability to support Canadian exporters in the future. In the past, EDC has relied on the government for paid-in share capital to increase the Corporation's capital base and grow the business. But given the new fiscal reality, EDC must increasingly contribute directly to equity growth through retained earnings. An improving global economy, coupled with payments on previously non-performing loans, have significantly contributed to EDC's 1994 financial performance.

As part of the G-7 endeavors to solve some countries' long-standing debt problems, the Government of Canada agreed to forgive a portion of Poland's and Egypt's outstanding debts to EDC. This action significantly boosted income and retained earnings in 1994, increasing EDC's ability to keep pace with the growth of our customers' requirements and expanding the Corporation's risk capacity.

The impact of debt forgiveness aside, EDC's financial performance in 1994 remains consistent with our stated financial objective of a return on equity equal to or greater than the rate of inflation, with retained earnings sufficient to support future export growth on a self-sustaining basis. Moreover, EDC has not undertaken an across-the-board increase in its fee structure since 1988. Price changes for financial services are based solely on changes in risk or market assessment.

International Market Developments

While the numbers tell an impressive story of continuing Canadian export success, even more significant for EDC are the issues facing our customers in today's dynamic global economy.

Most countries now realize they can no longer rely on domestic demand as the engine for economic growth. Competition for export markets has grown increasingly intense, with the attendant pressures to provide more competitive products and services. As a result, suppliers to world markets are being asked to bring ever more innovative financing to the table as part of their bid for international business. EDC is working to ensure that the financing packages it engineers with its customers and their foreign buyers are not only competitive, but more creative and market relevant than those available to foreign suppliers.

Building on the momentum of privatization begun in the early 1980s, governments increasingly recognize that the private sector can provide the necessary infrastructure services more efficiently than the public sector. In addition, fiscal realities facing most governments today dictate that private sector involvement is often the only means of successfully launching and financing large infrastructure projects.

This is especially evident in markets that are pursuing aggressive infrastructure programs in such sectors as energy, transportation and telecommunications. The trends toward privatization, deregulation and decentralization present new options for state-owned firms structuring these projects, including strategic partnerships with private sector companies, and direct equity payments.

North to south

Supplying a water and sewage system in Central America when you're located in Canada's Far North is a challenge that International Horizons, Whitehorse, Yukon, took knowing it could look to EDC for support. With the assurance that the sale to Belize was protected by EDC's medium-term performance insurance and guarantees, International Horizons is truly living up to its name.

Project financing expected to accelerate in Asia
(clockwise from the top) Henri Souquières, Vice-President, responsible for Project Finance; John Balint, Project Finance Team Leader; and June Domokos, Vice-President, Asia/Pacific.

As a result, there is a move away from sovereign to commercially driven projects and toward developing new ways of structuring and financing these transactions. Demand for this kind of financing is growing. In fact, global project finance requirements are estimated to exceed $3 trillion during the balance of the decade. Infrastructure projects increasingly rely on the cash flow of the project to pay for itself, with a corresponding need for financial backers to have a detailed knowledge of the intricacies of project finance.

EDC is working with other export credit agencies (ECAs), international financial institutions and private lenders to develop projects without government guarantees, known as limited-recourse project financing, to meet these demands. Indeed, EDC is recognized as one of the most experienced ECAs in project finance, having supported almost a billion dollars in direct senior loans and loan guarantees. As well, EDC has extensive experience with limited recourse projects through its foreign investment insurance program which provides political risk cover. Currently, EDC is reviewing about U.S.$15 billion worth of project finance transactions, of which Canadian supply is expected to be U.S.$1.5 billion, with two thirds of the requests based in the Asian markets.

In March 1994, EDC hosted a seminar with other export credit agencies to share this expertise and raise the quality of international project risk assessment and pricing. EDC has undertaken its own systematic review of legal and regulatory systems in a variety of countries – such as China, Indonesia, India and Pakistan – while supporting a number of Canadian firms pursuing projects on a limited-recourse basis elsewhere.

The significant increase in demand for limited-recourse financing in 1994 led EDC to strengthen its capabilities by establishing a special team responsible for the analysis, negotiation and implementation of project finance transactions. Positioned to handle complex projects in markets around the world, this team will build on EDC's expertise as one of the partners that successfully financed, for example, the Pangue hydroelectric project and the Celulosa del Pacifico pulp mill in Chile, and the Resilin Polyethylene Plant in Venezuela.

In Pursuit of Service Excellence

EDC's vision is to be the best in the world at providing the highest quality financial services for its customers. Recognizing that only by exceeding customer expectations will we be able to make progress toward that vision, EDC continues to emphasize the primacy of customer satisfaction as a strategic goal.

It is often said the key to managing change is to listen to the voice of the customer. EDC has increasingly incorporated and integrated the customers' voice into its planning process by using the annual Customer Satisfaction Index (CSI), which provides a detailed, quantifiable indication of our customers' satisfaction with our products and services.

EDC conducted its second CSI survey in 1994. Based on a 10-point score, EDC achieved a rating of 8.3, the same level as in 1993. Notably, small exporting companies registered a higher level of satisfaction at 8.4.

A significant percentage of our customers indicated that our service in 1994 improved over 1993 in several key respects, including turnaround time, reliability and creativity. At the same time, EDC is aware that being "good" is not, in fact, "good enough" in today's intensely competitive global environment.

Risk Appetite; Risk Management

EDC's appetite for risk continues to be a key customer concern in non-traditional export markets. To ensure Canadian exporters compete on a level playing field with international competitors in 1994, EDC provided financing and risk management support to several emerging markets, including Argentina, Ghana, Jamaica, Jordan, Kazakhstan, Lebanon, Romania and Vietnam. EDC will now consider private sector transactions or projects in Brazil and Peru, and has increased its exposure guidelines for Bolivia, El Salvador, Poland, the Philippines, Paraguay and Slovenia.

Recoveries in our non-performing loans and an improved balance sheet mean that EDC can take additional risk in support of Canadian business abroad. EDC is confident this new risk can be managed to the benefit of both our customers and the Corporation.

EDC works hard to maintain a balance between market opportunity and financial risk. We must assess such factors as foreign exchange earnings, risk sharing with other financial partners, level of capitalization, quality of sponsors, country standing with the International Monetary Fund, the involvement of other international financial institutions, legal and regulatory structures, and foreign investment criteria.

Making tracks in new export markets

Looking to broaden its export base beyond the United States, Western Star Trucks, Kelowna, B.C., has looked to EDC to provide buyer financing. In 1994, Western Star Trucks was both a Canada and B.C. Export Award winner. Their fully customized heavy duty trucks are in demand in such areas as Central and South America, the Middle East and the Pacific Rim.


FUNG PLAZA

Relationship Management

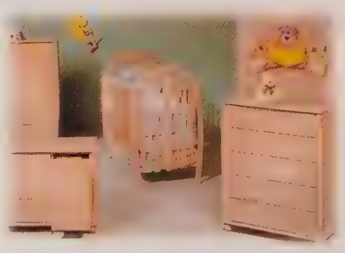
Customers require that EDC be a faster and more responsive organization: one that will work with them in partnership. EDC is committed to this notion of relationship management while at the same time acknowledging that the Corporation must leverage more risk management capability from its existing and future capital base.

By adopting the principles of total quality management and focusing our efforts on enhancing customer satisfaction, EDC has made significant progress and has experienced substantial business growth. The challenge for tomorrow is to build on this momentum and ensure continued economic growth. Toward this objective, in 1994 EDC embarked on a major corporate-wide restructuring program.

To achieve a more efficient and responsive organization, EDC is deploying business resources to better support the growing and evolving needs of Canadian exporters. This includes redesigning processes to respond to defined customer segments; realigning the corporate structure to effectively deliver products and services; investing in employees to ensure they have the required skills to deliver innovative financial solutions while providing the necessary technological and organizational support; and pursuing management practices with customers which take a long-term view of the relationship.

Nine cross-functional business teams with in-depth sectoral knowledge to complement our geographical expertise, and another team devoted to addressing the special needs of small business, will be formed and supported by specialty groups. The teams will have greater autonomy to act, and be better able to coordinate financial solutions across product areas. Significant service improvements are expected since customers will only have to contact one group, reducing overlap and duplication of efforts.

Supporting the evolving needs of exporters
(clockwise from the top) Peggy Potvin, Human Resources Adviser; Jim Brockbank, Vice-President, Information Technology Team; Eric Siegel, Vice-President, Corporate Change.



Sweet dreams
D&F Ragazzi Furniture Ltd., Montreal, Quebec, rests easy knowing that the upscale children's furniture it manufactures for export to the United States is protected with an EDC short-term credit insurance policy. Since entering the highly competitive and risky U.S. children's furniture market in 1991, D&F Ragazzi has become a significant player with multi-million-dollar sales annually, all insured by EDC.

To better manage the change process, two teams will be piloted in 1995: one will focus on the information technology sector, while the other will serve emerging exporters. As well, a special transitional management structure has been created to minimize disruption and ensure that day-to-day operations and service are not compromised.

New Solutions; New Services

Customers guided EDC in its decision to broaden its legislative mandate in 1993. "Off-the-shelf" products are no longer adequate to meet customers' needs in the complex global marketplace, and the enhancements to our governing legislation give EDC the flexibility to offer customized financing and risk management solutions for today's changing marketplace.

New regulations open the door to domestic credit insurance
(clockwise from the top) Gilles Ross, Senior Vice-President and Secretary; Cathy Hess, Senior Underwriter; Jean Fournier, Senior Legal Counsel.

In tandem with the legislative initiative, EDC developed an alternative approach for assessing Canadian content in export transactions. The new Canadian Benefits Policy introduced in 1994 recognizes that benefits from Canadian exports are varied and not solely reflected in Canadian content. Under this policy, all benefits accruing to Canada are now considered in determining eligibility, including transfer of technology/product lines to Canada; enhancement of future business prospects as a result of a transaction; and accelerated development of high-skill jobs in Canada. To further simplify the application process, EDC has pre-approved a number of generic, as well as company-specific, products so that a case-by-case analysis prior to approval is no longer required.

SERVING SMALL AND MEDIUM SIZED ENTERPRISES BETTER

In today's global environment, the growth of small- and medium-sized enterprises (SMEs) is critical to Canada's economic prosperity. These businesses are a vital national resource, the fastest-growing component of the Canadian economy and the largest creator of jobs. During the 1980s, firms with fewer than 100 employees created more than 2.3 million new jobs, or 87% of the total growth in Canada's employment. In the 1990's, SMEs have the potential to perform even more aggressively. However, it is also clear that the job and wealth-creating capacity of SMEs will not be fully realized until they become more actively involved in exports.

EDC can play an important role in enhancing the competitiveness of smaller exporters by helping them penetrate new export markets. In addition to our risk management and financing services, EDC has the international hands-on experience that small- and medium-sized businesses often have difficulty accessing, including up-to-date information on commercial and political market conditions.

For many years, EDC has focused resources on reaching out to small- and medium-sized exporters. This approach is paying dividends as evidenced by the growing number and percentage of SMEs serviced by EDC. Of the 2,146 customers EDC served in 1994, 84% – or 1,792 exporters – fall into this important category. In the past five years, the number of SME customers served under EDC's insurance program increased 39% to 1,755 policyholders exporting more than $2 billion worth of goods and services. SMEs also benefited as subsuppliers to larger export transactions.

Nine out of every 10 of EDC's short-term insurance policyholders are SMEs. Because export sales are often based on short-term credit of up to 180 days, export credit insurance assists small- and medium-sized exporters in two key ways. First, it protects the exporter against 90% of losses due to non-payment by foreign buyers; and second, domestic banks are usually more willing to extend or increase an operating line of credit against export receivables if they know those receivables are insured. In other words, credit insurance is an important operating capital tool. In 1994, EDC's short-term credit insurance volumes increased 17% to $8.2 billion and have more than doubled in the past three years.

Think locally, sell globally

Having discovered a unique method of repairing asphalt damaged by tough Canadian winters, Canadian Protective Products, Pickering, Ontario, has seen its business, as well as its export destinations, increase dramatically during the past 10 years. EDC provides this dynamic company with a wide range of financial solutions including credit insurance and bonding, and guarantees to help Canadian Protective Products broaden its export penetration.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5
8
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EDC's support for small business grew in 1994 with the introduction of new programs and services, and the enhancement of existing policies and procedures for this important sector of the economy.

Turnaround time on buyer credit approvals is always a major concern: when SMEs need a foreign buyer approved, they invariably need it approved quickly. In 1994, EDC established a new computer decision-support system to assess insurance risk and offer immediate, automated approvals. This system has sliced turnaround times from an average of 11 days in 1990 to three days in 1994, more than doubled productivity and established a fast and almost paperless process. Indeed, more than 50% of credit approvals are now achieved in less than 24 hours, an accomplishment that earned EDC a 1994 Canadian Productivity Award.

Getting a claims cheque into the hands of the company that can least afford losses of any kind is also a top business priority for EDC. EDC streamlined, simplified and accelerated the insurance claims process for its SME customers from an average of 48 days in 1991 to 10 days in 1994.

Following a successful pilot program to improve SME access to EDC's 50 lines of credit, 1994 saw the full regional delivery of line of credit financing from EDC's eight regional offices. These streamlined financing facilities with predetermined terms and conditions make it easier for foreign buyers to purchase goods and services from Canadian exporters. At the same time, EDC has cut the red tape and delays sometimes associated with financing export sales. More than $73 million worth of allocations were issued in 1994 in support of SMEs.

Harvesting export opportunities

Managing a growing business can pose many challenges, not the least of which is securing adequate working capital. Although the shellfish products processed by Prince Edward Aqua Farms Ltd., Kensington, P.E.I., are in great demand in the United States, the company wanted more operating capital to grow its business. Leveraging its EDC-insured export receivables with its bank, provided Prince Edward Aqua Farms Ltd. with additional funds while protecting it against unforeseen losses.

Serving small business better:
(clockwise from the top) John Hutchison, Vice-President, Emerging Exporter Team; Joanne Mullen, Credit and Financial Analyst; Marc Bertrand, Emerging Exporter Team Underwriter.

Creative Partnerships

EDC is actively engaged in developing products and services in cooperation with financial institutions to better support the export activities of small- and medium-sized business.

A new partnership agreement between EDC and Canada's banking community to provide SMEs with greater access to international trade finance was engineered and launched late in 1994. Under the new mechanism, loans to a variety of foreign borrowers can now be secured through Canadian financial institutions. EDC provides backing on the transaction through a partial repayment guarantee to the Canadian lender. Buyer financing is often critical to winning an export contract and smaller companies are expected to expand their share of the global market under the arrangement.

Also notable in 1994 was the launch of Northstar Trade Finance, a new company offering export financing for creditworthy borrowers in developed countries. EDC provides Northstar with expanded-term insurance coverage against non-payment by the buyer. Northstar supports SMEs by providing fixed rate, medium-term financing for qualified smaller export transactions through a $30 million line of credit provided by the Bank of Montreal. Access to Northstar is open to all Canadian banks with referral fees paid by the company. Northstar will provide fixed rate loans from $100,000 to $3 million with repayment terms of one to four years.

Unearthing sales

Since 1989, Highline Mfg. Inc., Vonda, Saskatchewan, and EDC have worked together to sell agricultural rock removal, tillage and bale handling equipment throughout the United States. Backed by an EDC Global Insurance policy, Highline has been able to turn its 365-day foreign receivables into cash by providing its bank with security against non-payment. Since becoming an EDC customer, Highline's export sales have increased by 50%.

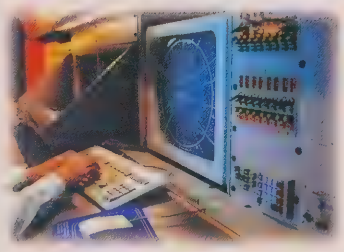
The availability of operating capital is frequently cited as a critical factor limiting the ability of SMEs to launch successful export ventures. Recognizing that a cooperative partnership with chartered banks would enhance the level of support available to SMEs, EDC began work on an accounts receivable guarantee facility with Canadian financial institutions. Designed to help SMEs increase operating capital by leveraging export receivables, this new program will be piloted with the Bank of Montreal and the Royal Bank of Canada in early 1995.

Sector-specific partnerships assist all exporters, but especially emerging exporters. The automotive parts industry, with shipments totalling $16.3 billion in 1993, of which 85% were exports, is typical of that potential. Under a joint agreement concluded in 1994 between the Toronto Dominion (TD) Bank and EDC, 50% of the financing provided by TD Bank to companies in the automotive parts sector will be guaranteed by EDC. With EDC's involvement, TD Bank can finance up to 100% of the cost of making the tools and molds used in the manufacturing of automotive parts, and can offer flexible repayment terms. This provides access to working capital for smaller companies that are increasingly being asked to finance design and development costs.

Regional delivery of line of credit financing
From the Toronto Regional Office (clockwise from the top left) Debbie Rocha, Michelle Martin, Rachel Sauvé, Désirée Hopkinson, Lisa McEvoy, Peter Schturyn, David Little, Ruth Fothergill.

Access to information, service and expertise are key elements in the success of smaller exporters. In addition to numerous presentations and information sessions in 1994, EDC also laid the foundation for a special Emerging Exporter Business Team. The team will coordinate all of the Corporation's expertise and resources on a cross-functional basis, to provide financial solutions tailored to small-business needs. The team will be operational in early 1995 and will have a 1-800 number to improve customer service and access to information.

Finally, to a great extent the business results for both EDC and SMEs are tied to the success of Canada's leading exporters. Indeed, some 100 large-sized companies account for about 60% of all Canadian exports. Large Canadian exporters, however, must cast a wide net in order to supply their export transactions. EDC support for these large contracts generates significant benefits for smaller Canadian businesses. Literally thousands of opportunities for Canadian subsuppliers are created, with an impact that is felt throughout the Canadian economy. In 1994, for example, it is estimated that EDC's 2,146 direct customers engaged more than 12,500 companies as first-level suppliers to their EDC-backed transactions, and upwards of 90% of these suppliers are SMEs. These indirect benefits are both tangible and significant since the experience gained by a small- or medium-sized subsupplier frequently triggers future direct export transactions.

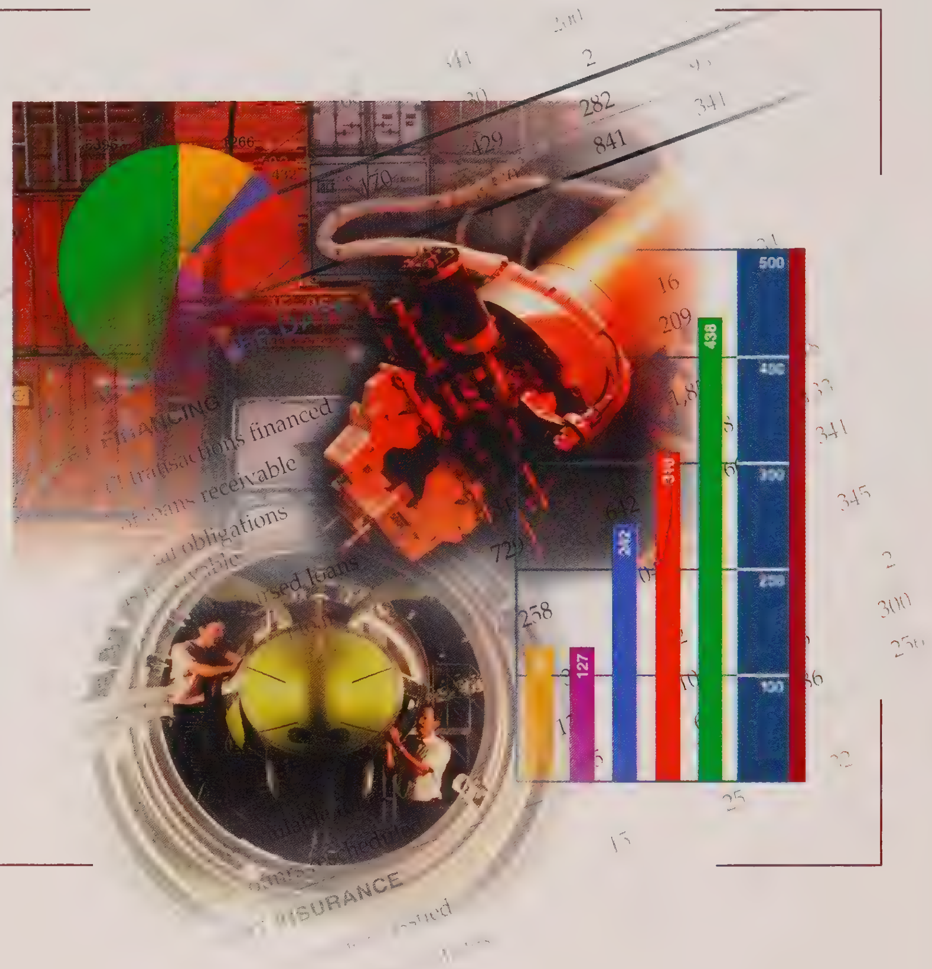


Charting new sales opportunities

To clinch a major sophisticated aerospace navigation system sale, Pelorus Navigation Systems Inc., Calgary, Alberta, had to post significant performance bonds. EDC provided a Performance Security Guarantee that allowed them to successfully bid and win the contract. Adding to the challenge was the buyer's demand for a protracted delivery schedule. Backed by an EDC Specific Transaction Insurance policy, the company was able to leverage the receivables with its bank for additional cash flow.

Exploring the Borderless World

As we consider our prospects in an increasingly borderless world, Canada appears well positioned to profit from globalization. Export sales account for more than 33% of Canada's output, triple that of the United States. Canada must continue to expand external trade opportunities to fuel future prosperity. Currently, our favourable balance of trade relies on a relatively few leading exporters to generate the vast majority of our exports. With our national prosperity and standard of living so closely tied to world markets, the only viable option is for Canadian enterprises to trade, aggressively seek new markets, and position themselves for the future. EDC has been a proud partner to Canadian exporters for more than 50 years. The next 50 years will see us continue to help Canadians access the opportunities available to them beyond our borders.



FINANCING
transactions financed
receivable
obligations
INSURANCE

Financial Review

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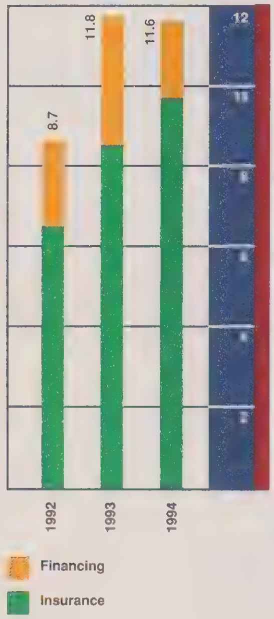
Financial Performance of Corporate Account

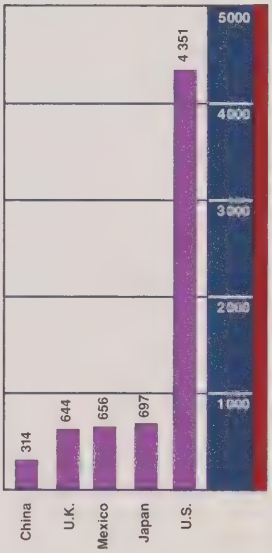
Summary of Business Volumes

($ in millions)	Corporate	Canada	Total
Export Insurance	9,752	170	9,922
Export Financing	1,889	454	2,343
Total	$11,641	$624	$12,265

Business Volumes – Corporate Account
($ in billions)



Business Volumes – Top Five Countries
($ in millions)



For the Year

($ in millions except share amounts)

	1994	% increase	1993	% (decrease)	1992
Net earnings	**$ 171**	**317**	$ 41	(8)	$ 44
Net earnings per share	**21.03**	**304**	5.20	(8)	5.60
Net earnings to averaged					
*assets	**1.9%**		0.5%		0.6%
*shareholder's equity	**17.3%**		4.6%		5.2%

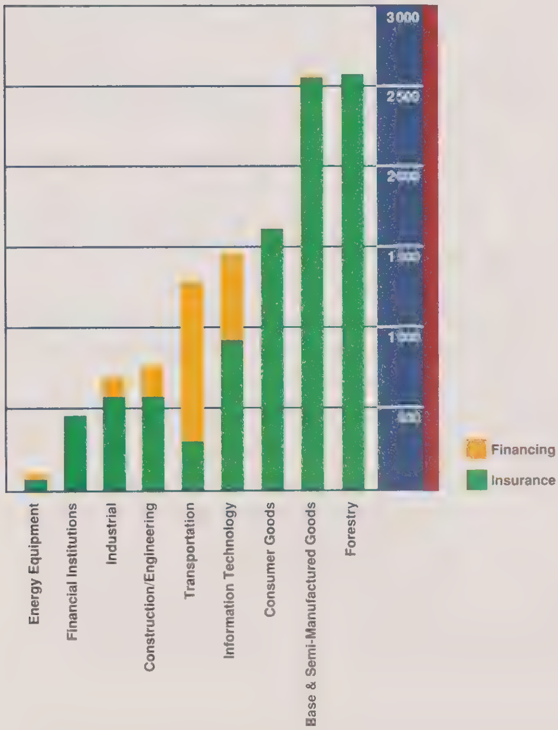
(*Average of monthly balances during the year)

At Year End

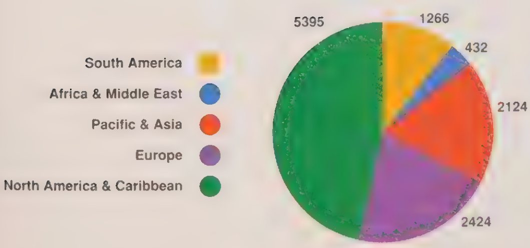
($ in millions except share amounts)

	1994	% increase	1993	% increase	1992
Corporate assets	**$ 9,375**	**2**	$ 9,154	13	$ 8,107
Net loans receivable	**8,037**	**18**	6,827	1	6,754
Shareholder's equity per share	**134.19**	**18**	113.58	2	111.52

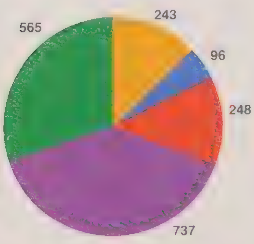
EDC Business Volumes by Industry Sector
($ in millions)



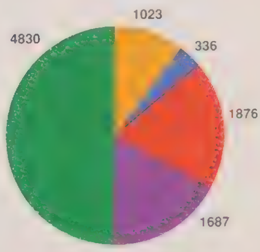
Total Business Volume by Geographic Area
($ in millions)



Export Financing Volumes by Geographic Area
($ in millions)



Export Insurance Volumes by Geographic Area
($ in millions)



Export Environment

Exports play a critical role in creating and sustaining jobs within Canada, and the ability of Canadian companies to compete and win internationally is of vital interest to the economy as a whole.

International trends and implementation of economic reforms, liberalization of trade and foreign investment, privatization and deregulation continue to accelerate global expansion. Domestic growth is forecast to pick up modestly in the industrialized world, with North American domestic growth expected to continue at a moderate pace, and demand growth outside North America forecast to accelerate. Global demand is expected to receive a strong impetus from developing countries as they reap the benefits of sustained stabilization and market-oriented reform efforts. Developing countries have shown considerable resilience, enjoying strong rates of economic growth, and many heavily indebted countries have made significant inroads in bringing their fiscal deficits under control.

Within this international environment, Canadian companies have made strides in improving their cost structures, and Canadian producers continue to hold and even improve their competitive position in world markets. EDC anticipates that Canadian unit costs will maintain a favorable performance relative to our major competitors, given a low inflation forecast and continued emphasis by Canadian business on productivity improvement.

Canadian companies do business the world over, but our traditional export destinations of the United States and Western Europe receive the bulk of Canadian goods and services. While EDC is committed to maintaining and strengthening these ties, we also recognize that trade diversification is essential if Canadian exporters are to profit from the high-growth markets of Asia-Pacific and Latin America. Markets such as these are generating rapidly growing demand for infrastructure investment, such as telecommunications, transportation and power utilities, all areas in which Canadian companies have core competencies.

Sectoral weakness and uncertainty remain, however, with important implications for Canadian exporters both in terms of marketing activity and credit risk. The signing of the North American Free Trade Agreement and the coming into force of the World Trade Organization help to strengthen Canada's competitive position, and with the successful conclusion of the Uruguay Round of the GATT, EDC hopes to help Canadian exporters profit from the growing trend of trade liberalization.

In addressing these and other challenges, EDC continues to work towards its vision – to be the best in the world at providing the highest quality financial services for our customers. Corporate objectives continue to guide the business of the Corporation. The following is a brief description of these objectives, along with a comparison of performance, and 1995 target indices.

CUSTOMER SATISFACTION

The first and overriding corporate goal is that EDC will plan and act with the recognition that customer satisfaction is fundamental to every aspect of our business.

As was the case last year, customer satisfaction is measured by the Customer Satisfaction Index (CSI), which is a component of an independent customer survey administered annually and which provides an accurate, quantifiable indication of customers' satisfaction with our products and services. Although we did not achieve our stated target of 8.6, the survey revealed some very positive results. This year, a larger percentage of customers perceived that EDC had improved in several key service attributes, such as turnaround time, reliability and creativity. Prominent corporate strengths valued by our customers continue to be the professionalism, knowledge and expertise of our employees. Our customers indicate that EDC provides reliable service in terms of consistency, quality and timeliness. While this confirms that our ongoing process improvement initiatives are achieving desired results, 1994 results reflect the continuing challenge to meet and exceed the growing expectations of our customers. EDC will focus on those attributes with lower performance scores, including appetite for risk, creativity and the price of our products and services, and will continue to emphasize the significance of this corporate goal.

	1995 Plan	**1994 Results**	1994 Plan	1993 Results
CSI	8.6	**8.3**	8.6	8.3

ENHANCED BENCH STRENGTH

Enhanced bench strength is about investing in our people and systems to ensure that through them we can provide value to the customer and enhance our core competencies. EDC's core competencies remain: assessing and managing risk; structuring and negotiating deals; using and sharing the Corporation's knowledge and expertise; and responding to the voice of the customer.

Our enhanced bench strength goal is currently measured by a composite of human resource elements found in the Customer Satisfaction Index addressing employee effectiveness as seen by our customers. The Corporation's direction in nurturing and enhancing requisite competencies among its staff contributes to its ability to provide more effective service to customers, thereby helping to improve EDC's rating in this category. Ongoing training and development of staff in our core competencies and availability and effective use of technology are essential to the achievement of this objective. In 1995 major investments are planned to update computer systems, enabling both individual empowerment and streamlining of services. During 1994, and in addition to expenses incurred from restructuring, the Corporation invested approximately $1 million in employee training programmes. The average employee strength during 1994 was 549, an increase of 1.5% over the 1993 average strength of 541.

	1995 Plan	**1994 Results**	1994 Plan	1993 Results
EBS	8.6	**8.2**	8.6	8.2

Balanced Spread of Risk

Through a balanced spread of risk EDC endeavours to balance the needs of our customers for maximum support with the development of an acceptable spread of risk in our portfolios to preserve long-term financial health. Managing risk involves a constant vigilance over measures which are fluid and dynamic, such as portfolio composition, allowance for losses on loans and claims on insurance and guarantees. EDC manages its portfolio in these and other ways to ensure that there is adequate protection against risk.

The trend toward stronger economic conditions in the developing world combined with EDC's strong balance sheet position means we can take additional risk to support Canadian business abroad. New financing and risk management support is now available from EDC for the sale of Canadian goods and services to several emerging markets worldwide. Public- or private-sector projects and transactions will now be considered on their individual strengths in numerous countries for which EDC support was previously either closed or heavily restricted.

A joint study between the Shareholder and EDC was undertaken in 1993-94 to better determine the appropriate equity structure required by the Corporation to support its risk-taking strategies. The Government of Canada and EDC have agreed to adopt a risk-adjusted formula for equity which will enable a more flexible approach to risk management.

Positive Financial Results

Positive financial results recognizes the need to secure a solid financial foundation to ensure long-term competitive support to our customers. The Corporation's goal continues to be to protect the capital base by achieving an annual return on equity equal to or greater than the rate of inflation. This strategic goal recognizes the critical business realities for EDC: first, every export transaction financed by EDC must be funded by the Corporation within the legislated borrowing limit of 15 times the value of the capital base; and second, in a tight fiscal environment, EDC recognizes that it should not rely exclusively on the Government of Canada to grow the required capital base to sustain the Corporation's growth.

Net income reported for 1994 of $171 million finished the year significantly above plan and significantly above the $41 million profit reported a year ago. 1994 results were buoyed by the inclusion of $151 million interest income arising from debt reduction initiatives undertaken by the Government of Canada primarily for Poland and Egypt. These funds flowed to net income to strengthen the Corporation's capital base. The impact of this debt relief on both the annual results and the Plan is detailed in further discussions of operating results.

($ in millions)	1995 Plan	**1994 Results**	1994 Plan	1993 Results
Net Income	$45	**$171**	$40	$41

Target Performance Indicators

Financial indicators such as net income and return on equity are appropriate measures of positive financial results, as is our ability to generate business volumes that translate into positive bottom line results.

Financing Services contributed $1.9 billion (16%) to the overall results, finishing the year at 64% of the $3.0 billion plan. Compared to the results last year, financing volumes are down 41%. EDC's 1994 financing volumes reflect a downturn in economic conditions in certain countries which led to the postponement of several projects, a reduced need for financing support in the case of a repeat customer and a longer-than-anticipated business development effort to enter a promising sector. The 1994 target was also set based on historical results that included exceptional volumes achieved in 1993. EDC is confident that higher financing volumes will be registered in 1995 and beyond as we continue to focus our efforts on the needs of our customers and begin to benefit from our restructuring initiatives.

Insurance Services contributed $9.7 billion (84%) to the overall results, with short term programs continuing to be the most dominant service. The 1994 Plan volume of $10.6 billion included $1.7 billion representing business anticipated under EDC's new powers. Unfortunately, delayed passage of regulations resulted in much lower volumes than anticipated, with only $33 million achieved in this area in 1994. With respect to historical business, however, volumes exceeded the 1994 target by more than $789 million. EDC's insurance programs have enjoyed continued growth over the past several years and we anticipate that this trend will continue in 1995 and beyond.

($ in billions)	1995 Plan	**1994 Results**	1994 Plan	1993 Results
Financing volumes	$2.7	**$1.9**	$3.0	$3.2
Insurance volumes	$11.2	**$9.7**	$10.6	$8.6
Total	$13.9	**$11.6**	$13.6	$11.8

Productivity Indicators

Productivity is measured by the volume of export business supported per dollar spent on administration.

Over the past decade EDC has made significant productivity gains, growing the business by 400% while achieving 100% productivity gains. The 6% increase in productivity planned for 1994 was not achieved, largely due to the lower than anticipated business volume results as noted from the target performance indicators above, and this coupled with increased expenses due to restructuring costs detailed later, has led to the 1994 results. Restructuring costs and information technology investment will keep the indicator at a similar level in 1995.

Another key measure for EDC is the growth in business volumes relative to the number of employees on staff. As in the case of the growth in business volumes, volumes per employee for 1994 ($21.2 million) has remained relatively unchanged from last year ($21.8 million) and well above the level of 2 years ago. The trend of positive productivity growth should continue in 1995 and beyond, reflecting the expected growth in business and the impact of efficiencies gained through the improvement of major business processes.

	1995 Plan	**1994 Results**	1994 Plan	1993 Results
Productivity	$207.65	**$208.58**	$249.50	$235.40

TOTAL BUSINESS VOLUMES

Financial Services wrote a total of $11.6 billion in new business during 1994. This represents 86% of the 1994 target of $13.6 billion which includes $1.7 billion for business relating to new legislative powers. Excluding the new powers, volume levels would be at 98% of the Plan. Compared to the results a year ago, the total business transacted in 1994 almost parallels 1993's level (1994 - $11.6 billion vs 1993 - $11.8 billion).

FINANCING VOLUMES

The top five countries with the largest financing volumes represent $1.2 billion or 63% of total financing volumes of $1.9 billion. Support to the United States decreased by 47% in 1994 to $438 million, and arrangements of financing in the United Kingdom yielded $310 million worth of financing in 1994, compared to the 1993 level of $259 million. Financing in the Netherlands increased from $2 million to $242 million, Mexico experienced an 18% decrease from $154 million to $127 million, and financing support in Colombia increased significantly from $13 million to $126 million.

INSURANCE VOLUMES

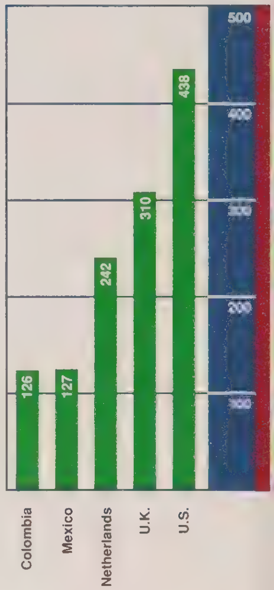
The top five countries represent $5.8 billion, or 59% of total declared volume of $9.7 billion. Short Term insurance support to the United States grew by $750 million in 1994; over the past three years the total declared volume to this market has increased steadily, both in terms of absolute volume and as a percent of total Short Term insurance. Results in 1994 reflect a slight decrease in overall declared volume to Japan, with the export of forestry products representing a significant portion of this volume. Business volumes to Mexico increased by 12% in 1994, with food products continuing to be a significant proportion of the business supported through insurance.

HIGHLIGHTS

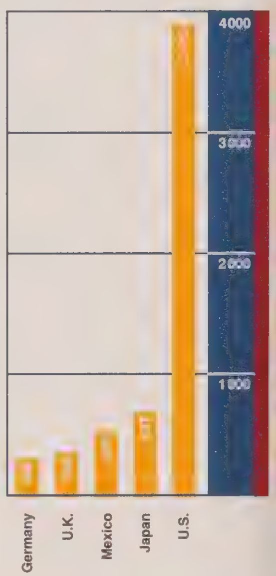
Net income reported for 1994 of $171 million finished the year $131 million above the 1994 Plan of $40 million, and significantly above the $41 million profit reported a year ago. The financial impacts on Operations of all Corporate activities during the year are reflected in the following Income Statement discussion.

($ in millions)	Over (Under) Plan $	%	**1994 Actual**	1994 Plan	1993 Actual
Loans					
Interest earned	57	11	**553**	496	473
Debt relief arrangements	122	421	**151**	29	25
Fees earned	(2)	(4)	**51**	53	58
Less: provision for losses on loans	69	97	**140**	71	156
	$108	21	**$615**	$507	$400

Finance Volume Top Five Countries
($ in millions)



Insurance Volume Top Five Countries
($ in millions)



Income from the Loans portfolio of $615 million (before interest and administrative expenses) finished the year 21% above the Plan. The 1994 Plan assumed debt relief arrangements would continue in 1994 as it had since 1991. The Government of Canada changed its debt relief arrangements this year however, increasing EDC's debt relief revenue significantly to $151 million, from the Plan of $29 million. The increase in debt relief revenue is reflected in the 1994 growth of net income to $171 million which exceeded the Plan by $131 million. Excluding revenue from debt relief arrangements, 1994 net income would have been $20 million, or 82% over the Plan's $11 million.

($ in millions)	Over (Under) Plan $	Over (Under) Plan %	**1994 Actual**	1994 Plan	1993 Actual
Insurance					
Premium and fees earned	(8)	(14)	**51**	59	51
Less: provision for claims	11	38	**40**	29	25
	$(19)	(63)	**$11**	$30	$26

Insurance premiums and fees earned of $51 million for 1994 finished the year $8 million below Plan and at the same level as a year ago. The new regulated powers, specifically domestic insurance and enhanced foreign investment insurance, were forecast to generate $8.2 million in premiums. These premiums did not materialize due to the delayed passage of the regulations. Of the total premiums earned, $34 million or 67% were sourced from short term operations and $17 million or 33% from medium term operations.

Income from the Insurance portfolio of $11 million (before investment income and administrative expenses) finished the year $19 million or 63% below the $30 million Plan. The primary reason for this was a $15 million increase in the provision expense to reflect an increased concentration of risks in terms of size of policies and the number of policies issued to specific counterparties, particularly in the medium term portfolio. These provisions are booked at the time that the risk is accepted and not over the period over which the risk is covered; this leads to a rapid growth in the provision number when the Corporation's business is expanding.

($ in millions)	Over (Under) Plan $	Over (Under) Plan %	**1994 Actual**	1994 Plan	1993 Actual
Investment revenue earned	(31)	(45)	**38**	69	92
Interest expenses	(69)	(14)	**437**	506	427

Investment revenues for 1994 were $38 million, falling short of the Plan by 45%. The decrease in revenues occurred as a result of foreign exchange losses of $21 million and marked to market losses of $31 million on the investment portfolio which is held in the 'available for sale' category.

Interest expense was under plan by $69 million as a result of EDC retiring long term debt and replacing it with funds having a lower cost.

Administrative Expenses

Net administrative expenses for 1994 total $56 million, which translates into a utilization rate of 93% of the Plan. Compared to the corresponding period last year, net administrative expenses are up $6.1 million, or 11%. Five key items continue to account for almost 90% of the total expenditures: salaries, accommodations, data processing, professional services and travel.

Compared to the previous year, salary-related costs are down slightly by $0.4 million, while the number of Corporate employees for 1994 is up 1.5%, with 549 reflecting the average number of employees for 1994 (1993 - 541). Accommodation costs are down 4% from a year ago largely as a result of lower amortization of leasehold improvements. Professional services costs of $8.6 million for 1994 were up significantly over last year, (1993 - $2.6 million) largely as a result of corporate restructuring and business process improvements.

Accounts Administered for Canada (Canada Account)

Under the Export Development Act, the Government of Canada is authorized in prescribed circumstances to undertake certain activities of a financial nature to facilitate and develop export trade. In these circumstances, EDC acts as the agent for the Government of Canada in executing the financial transaction. These activities, and the legislative authorities which underlie them, have come to be known collectively as the 'Canada Account'. These accounts are maintained separately from the Corporation's accounts, and are consolidated annually as at March 31 with the financial statements of the Government of Canada. Following are the financial highlights *for the 9 months to December 31, 1994.*

Canada Account business volumes were $439 million, of which $300 million was direct consensus terms financing and $139 million pertained to insurance and related guarantees provided. The Corporation administered total assets of $2,641 million consisting of $2,619 million from the lending program and $22 million from the insurance program.

Actual disbursements amounted to $171 million, including $87 million for loans signed under consensus terms, $78 million for concessional loans and $6 million for claims paid under the insurance program. Canada Account remitted to the Consolidated Revenue Fund $150 million, of which interest and fee revenue totalled $65 million, while the repayment of loan advances amounted to $85 million.

Canada Account reported a net income of $110 million, of which $33 million is attributed to gains on foreign exchange translation. Net income excluding foreign exchange gain translation will approach the level attained as at March 31, 1994 of $104 million (net of foreign exchange gain translation).

The Corporation is seeking authorization to cancel $106 million of loans receivable administered for the Government of Canada. These receivables pertain to debt relief arrangements granted by the Government of Canada to sovereign borrowers under the auspices of Paris Club.

The Canada Account reimbursed the Corporation $12 million for administrative expenses incurred in administering the portfolio. The administrative expense has averaged approximately 21% of the Corporation's total administrative expenses for the past two years.

CONCENTRATIONS OF EXPOSURE

The following table reflects the major concentrations of total exposure in the country where the risk resides for all Corporate operations at the end of 1994.

($ in millions)

	Financing		Insurance*		Treasury**		
Market	Gross Loans Receivable	Undisbursed Commitment	Medium Term	Short Term	Counter-Party Risks	1994 Exposure $	1994 Exposure %
U.S.	762	492	34	834	23	2,145	12
China	1,344	269	195	8	–	1,816	10
Mexico	564	53	17	868	–	1,502	8
Brazil	466	–	2	287	–	755	4
Venezuela	361	214	123	22	–	720	4
Japan	51	–	2	207	441	701	4
Other	6,353	1,329	1,767	974	155	10,578	58
Total	$9,901	$2,357	$2,140	$3,200	$619	$18,217	100

* Includes contingent liabilities.
** Counterparty risk relates to term deposits and swaps.

LOANS PORTFOLIO

NET LOANS RECEIVABLE

Gross loans receivable has been reduced by the allowance for loan losses as well as non-accrued capitalized interest. Non-accrued capitalized interest represents interest legally due to the Corporation which has been rescheduled while loans were classified as non-performing. Non-performing loans are those loans for which there is a significant doubt regarding the short and medium term collectibility, or lack significant payments for 180 days.

Net loans receivable increased significantly during 1994 to $8,037 million from $6,827 million, an increase of $1,210 million, or 18%. Most of the increased growth can be attributed to the record level of loan disbursements of $2,444 million.

Of the $2,444 million disbursed, $922 million are to be repaid by sovereign borrowers, of which China was the largest representing $511 million. Loan disbursements to be repaid by commercial borrowers accounted for $1,522 million resulting in a dramatic increase in the Corporation's commercial loans receivable portfolio to $2,316 million at the end of 1994 from the 1993 level of $1,572 million.

In addition to the record year for loan disbursements, it was also a record year for loan repayments. Loan repayments totalled $1,672 million, an increase of $277 million or 20% over 1993. Repayments from sovereign borrowers were $805 million while commercial borrowers repaid $867 million. Sovereign borrowers prepaid $291 million of the Corporation's fixed rate loans in early 1994 to take advantage of lower interest rates. Commercial borrowers prepaid $300 million which were floating rate loans receivable.

Loan Revenues and Expenses

The following table analyzes loan revenues, fees and the expense for the provision for losses on loans as a percentage of the average net loans receivable during 1994 and 1993.

($ in millions)	1994 Actual		1994 Plan		1993 Actual	
Average net loans receivable		$7,341		$8,450		$6,805
	$	%	$	%	$	%
Interest earned – performing loans	474	6.46	471	5.57	403	5.92
Interest receipts – non-performing loans	79	1.08	25	.30	70	1.03
Total interest earned	553	7.54	496	5.87	473	6.95
Debt relief revenue	151	2.06	29	.34	25	.37
Fees earned	51	.69	53	.63	58	.85
Total loan revenue	755	10.29	578	6.84	556	8.17
Less: provision for losses on loans	140	1.91	71	.84	156	2.29
Net loan revenue	$615	8.38	$507	6.00	$400	5.88

Interest earned on the performing loans portfolio was $474 million yielding a rate of return of 6.46% on the average net loans receivable balance of $7,341 million. Compared to 1993, the 1994 average net loans receivable balance increased by $536 million or 8% due to the record level of loan disbursements made during the year. In addition, the interest yield increased from 5.92% to 6.46% primarily due to the general rise in interest rates for LIBOR for U.S. dollars impacting the floating rate portfolio. The 1994 Plan estimated net loans receivable to average approximately $1 billion higher, but yielding a lower rate of return than actually occurred. The 1994 Plan also called for lower interest earnings from the non-performing portfolio than that experienced.

As noted earlier, revenue from debt relief arrangements increased significantly in 1994 to $151 million from the 1993 level of $25 million and the 1994 Plan amount of $29 million. Since 1991, debt relief revenue was based on debt service arrangements between the Government of Canada and the debtor nations of Poland and Egypt under the auspices of Paris Club. Under these arrangements, the Government of Canada reduces the amount of interest due annually on the outstanding Polish and Egyptian debt owed to the Corporation, and compensates the Corporation for the reduced interest amount. Under debt service, this arrangement would extend over the repayment term of the loans, normally 15 years. During the first part of 1994, the Corporation earned $7 million as debt relief revenue under the debt service arrangements. During the last quarter of 1994, the Government of Canada changed its method of debt relief assistance to Poland and Egypt by selecting the debt reduction option wherein the Government of Canada would reduce the amount of principal by an amount equivalent in present value terms to reducing the amount of interest each year over the term of the loans. The Government of Canada agreed to compensate the Corporation for the reduction in principal of $311 million for both Poland and Egypt. As these loans were non-performing for a considerable length of time, a large portion of principal was non-accrued capitalized interest. This amount was not recognized as interest revenue in previous years for accounting purposes but was legally due to the Corporation. Of the principal amount of $311 million, $120 million represented non-accrued capitalized interest which the Corporation subsequently recognized in 1994 as debt relief revenue. In 1994, the Government of Canada also entered into additional debt relief arrangements under Paris Club for Côte d'Ivoire, Cameroon, Senegal and Honduras wherein the Government of Canada agreed to compensate the Corporation a portion of principal and interest maturing for these countries over the next few years. This type of debt relief added $24 million to debt relief revenue for 1994.

Fee revenue of $51 million representing 0.69% of the average net loans receivable during 1994 varied little from the 1994 Plan. The variance from the 1993 rate of 0.85% reflects the fact that of the $58 million for 1993 fee revenue, $15 million was earned in 1993 due to the acceleration of deferred revenue for loans classified as non-performing during the year. During 1994, no fee revenue was recognized on that basis.

The provision for losses on loans of $140 million in 1994 increased $69 million over the Plan, and decreased from the 1993 provision by $16 million. A large portion of the provision for 1994 was allocated to the general allowance for sovereign losses on loans. The Corporation assesses the allowance for losses on loans on an annual basis and determines the appropriate amount necessary to maintain the financial integrity of the Corporation through the evaluation of its loan assets.

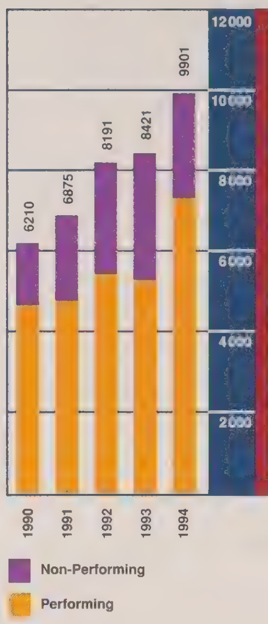
Loan Asset Quality

Gross loans receivable increased during 1994 to $9,901 million from $8,421 million. Performing gross loans receivable increased significantly from $5,295 million at the end of 1993 to $7,303 million at the end of 1994. Non-performing loans, as a percentage of total gross loans receivable, decreased during 1994 from 37% to 26%. The improvement can be attributed to loan disbursements exceeding loan repayments by $772 million. As well, sovereign loans to Poland and Egypt in the amount of $520 million were restored to an accrual (performing) basis during 1994. Both countries have, since 1991, met their payment obligations. The Corporation has a policy of restoring loans from the non-performing status to performing after a pattern of regular payments has been established, normally after three years. In addition, during 1994 the Government of Canada has entered into debt relief arrangements with Poland, Egypt, Côte d'Ivoire, Honduras, Senegal and Cameroon, which has resulted in the reduction of loans receivable of $359 million due from these countries, all of which were classified as non-performing at the end of 1993. The Corporation received $359 million as compensation in January 1995 from the Government of Canada. During 1994, the Corporation added $51 million of loans to the non-performing classification, mainly sovereign loans to Gabon.

The 1994 trend of a declining percentage of non-performing loans to total gross loans receivable may continue in 1995. Both Argentina and Brazil, whose non-performing loans receivable total $722 million, have met their payment obligations under current rescheduling agreements during the past few years. Their non-performing status is scheduled for review during 1995.

Loan Asset Quality

($ in millions)



Loan Asset Risk Concentration

Sovereign Loans

The Corporation has the following sovereign risk concentrations for its performing gross loans receivable:

Sovereign Performing Loans

($ in millions)	1994			1993	
	$	%		$	%
China	1,344	26	China	850	22
Mexico	492	10	Mexico	571	15
Algeria	398	8	India	361	10
India	368	7	Algeria	325	9
Venezuela	293	6	Venezuela	205	5
Other	2,182	43	Other	1,499	39
Total	$5,077	100	Total	$3,811	100

The largest concentration of sovereign loans receivable is China, representing 26% of all sovereign loans outstanding at the end of December 31, 1994, an increase of 4% from 1993.

The largest undisbursed loan commitments by sovereign borrower are listed below:

Sovereign Loan Commitments

($ in millions)	1994			1993	
	$	%		$	%
Indonesia	**288**	**26**	China	653	43
China	**269**	**24**	Indonesia	293	19
Venezuela	**207**	**19**	Venezuela	237	16
Colombia	**104**	**9**	Algeria	92	6
South Africa	**62**	**6**	Thailand	47	3
Other	**176**	**16**	Other	197	13
Total	**$1,106**	**100**	Total	$1,519	100

It is anticipated that the concentration of loans receivable will continue. The Corporation will be reviewing the need for an additional general allowance for losses on loans based solely on significant loan concentrations.

Commercial Loans

The five largest individual commercial performing loans comprise 51% of the total gross loans receivable, a decline from the 1993 level of 56%.

During 1995, the Corporation will be reviewing its allowance for losses on loans to assess whether additional allowances for risk concentration for individual borrowers as well as industry segmentation are required. The Corporation continues to be heavily concentrated in the air transportation segment of the transportation industry.

Non-Performing Loans

Cash received including both principal and interest from the non-performing portfolio has been constant since 1991, averaging between 3 - 4% of the total portfolio. The cash flow pertains to sovereign creditors and represents to a large extent the success of multilateral rescheduling arrangements through Paris Club.

($ in millions)	1994	1993	1992	1991	1990
Non-performing loans	**$2,598**	$3,126	$2,770	$2,085	$1,556
Non-performing receipts (principal and interest)	**115**	91	115	60	22
Cash flow as a percentage of loans	**4%**	3%	4%	3%	1%

Allowance for Losses on Loans

At December 31, 1994, the allowance for losses on loans was $935 million, an increase of $184 million or 25% over the December 31, 1993 allowance of $751 million. The sovereign allowance for losses on loans increased by $134 million during 1994 to $774 million. The commercial allowance for loan losses rose by $50 million to $161 million at the end of 1994. Of the $184 million increase, $140 million represents the 1994 provision for losses on loans charged to income while $42 million represents the foreign exchange translation due to the decline of the Canadian dollar on the allowance in foreign currencies, mainly U.S. dollars. Accrued interest of $3 million for sovereign loans being classified as non-performing was charged to the allowance while a recovery for a commercial loan previously written-off was credited to the allowance. The Corporation has written-off less than $6 million in principal over the past 5 years, and during 1994, recovered $5 million.

The Corporation categorizes its commercial and sovereign loans using a rating system of 1 to 4 (best risk to performing watch risk), and then establishes an appropriate general allowance based on a formula for each category except for the non-performing loan category (5). For non-performing commercial loans, a specific allowance is determined for each loan based on expected loss after taking into consideration all loan circumstances, including loan security.

Sovereign

The following table compares the 1994 allowance for losses on sovereign loans and loans receivable with 1993. The following reflects the allowance as a percentage of loans receivable:

($ in millions)		**1994**			1993	
Sovereign Risk Categories	**Loans Allowance**	**Receivable***	%	Loans Allowance	Receivable*	%
(1) Best Risk	**–**	**359**	**–**	–	–	–
(2) Good Risk	**46**	**2,315**	**2**	29	1,471	2
(3) Increased Risk	**41**	**1,020**	**4**	68	1,706	4
(4) Performing Watch Risk	**79**	**1,208**	**7**	43	634	7
(5) Non-Performing	**600**	**1,754**	**34**	495	2,195	23
Loans Receivable	**766**	**6,656**	**12**	635	6,006	11
Loan Guarantees	**8**	**191**	**4**	5	131	4
Total	**$774**	**$6,847**	**11**	$640	$6,137	10

* excludes non-accrued capitalized interest

The loans receivable of $359 million in the Best Risk Category represents the amount due from the Government of Canada for debt relief arrangements against which no allowance is set aside. Excluding the $359 million, sovereign loans receivable total $6,297 million against which an allowance of $766 million, or 12%, is set aside. In Category 2, Good Risk, the loans receivable increased from $1,471 million in 1993 to $2,315 million in 1994. Non-performing sovereign loans in Category 5 decreased from $2,195 million to $1,754 million reflecting loans to Poland and Egypt restored to the performing status and thus upgraded to Category 4. Although the level of non-performing loans decreased, additional allowances were set aside increasing the non-performing sovereign allowance to $600 million from $495 million, or 34% of non-performing loans from 23%.

The Corporation uses a number of factors to determine the appropriate allowance at the end of each year including cash payments received during the year and prior, expected cash flows and secondary market value.

Commercial

When available, the Corporation utilizes published ratings on its commercial borrowers in order to classify commercial loans receivable. For unrated commercial borrowers/guarantors, loan reviews are utilized which include an annual analysis of the financial condition of the borrower/guarantor as well as the borrower's adherence to loan covenants. These reviews are then combined with further professional experience and judgment to determine the appropriate classification for each loan. Against each rating classification, a general allowance is established. When a commercial loan is classified as non-performing, the loan is placed in Category 5, and a specific allowance is then established based on estimated potential loss.

The following table compares the 1994 allowance for losses on commercial loans and loans receivable with 1993. The following reflects the allowance as a percentage of loans receivable:

($ in millions)		1994			1993	
Commercial Risk Categories	**Allowance**	**Loans Receivable**	%	Allowance	Loans Receivable	%
(1) Best Risk	**20**	**1,105**	**2**	18	891	2
(2) Good Risk	**19**	**546**	**3**	13	334	4
(3) Increased Risk	**14**	**236**	**6**	14	236	6
(4) Performing Watch Risk	**40**	**339**	**12**	3	23	13
(5) Non-Performing	**67**	**90**	**74**	62	88	70
Loans Receivable	**160**	**2,316**	**7**	110	1,572	7
Loan Guarantees	**1**	**10**	**10**	1	12	8
Total	**$161**	**$2,326**	**7**	$111	$1,584	7

The commercial allowance rose by $50 million to $161 million mainly as a result of the large increase in commercial loans receivable. The commercial allowance represents 7% of loans receivable, virtually unchanged from a year earlier. There has been a large increase of $316 million in commercial loans in Category 4 reflecting a downgrade of certain borrowers. The downgrade occurred only due to a change in risk philosophy in 1994, whereby borrowers generally cannot be rated higher than the sovereign category for the country in which the borrower resides.

Insurance Portfolio

Insurance Policies in Force and Guarantees

Insurance policies in force and guarantees increased during 1994 to $5,340 million from the 1993 level of $4,552 million, an increase of $788 million, or 17%. Most of the increase was in the short term global comprehensive program, which increased by $632 million, or 25% from 1993.

During 1994, the Corporation revised its methodology for reporting liability of insurance and guarantees in force to better reflect the changing profile of the short term activities. In line with this change, the Corporation restated its corresponding 1993 figures.

Premium Revenue

Premium revenue of $51 million finished at the same level as 1993. The global comprehensive program contributed $25 million to 1994 premium revenue, an increase of 27% over 1993 results. The small business program generated a 34% increase over 1993 with premiums earned of $5 million in 1994. The documentary credits and bulk agriculture programs experienced a significant decrease in premiums generated in 1994. These programs generated premiums of $6 million which reflect a 56% decrease as compared to 1993 premiums of $13 million. This is attributed to the fact that premiums were affected by a general shift in business from a three year term to a one year term. Additionally, there was reduced activity in higher risk markets such as Iran and Algeria.

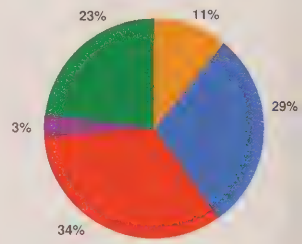
Contingent Liability Risk Concentration

Country Risk Concentration

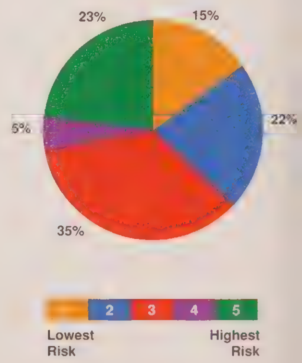
The markets where insurance coverage is offered are categorized on a scale of 1 to 5, where 1 is the lowest risk and 5 is the highest risk. There was a 4% decrease in the medium term exposure to Category 1 countries in 1994 and a 7% increase in Category 2 concentration. This increase in Category 2 concentration is the result of increasing exposure to emerging countries such as Malaysia and China. There were two large performance security policies signed in 1994 in Malaysia with contingent liabilities of $175 million, and several large policies signed in China with total contingent liabilities of $97 million.

The five countries with the largest contingent liabilities represent 50% of the total contingent liabilities, an increase from the 1993 level of 44 %. An important factor to note is that the country concentration is partly a function of Canada's export markets and government priorities in developing and supporting these markets.

1994 Medium Term Liability Spread of Risk



1993 Medium Term Liability Spread of Risk



Policyholder/Policy Size Concentration

Short Term Program

As at December 31, 1994, the short term program supported 1,899 policyholders. In terms of total declared volume during the year, the top five customers represented 18% of the total 1994 declared volumes (1993-20%).

The number of policyholders with declared volume over $50 million per year has been steadily increasing over the past three years. In 1994 there were 33 companies with volume over $50 million compared to 28 in 1993 and 17 in 1992. This is a positive development as overall business results are becoming less dependent on any one individual customer. However, it should be noted that large buyers (those with aggregate credit authorization for all exporters selling to that buyer in excess of $10 million) now account for over 10% of the total authorizations.

The following table shows the number of buyers supported classified by exposure size in the short term portfolio:

$ Value of Exposure *($ in thousands)*	**Number of Buyers**
1-500	12,901
501-2,000	1,226
2,001-5,000	326
5,001-10,000	101
10,001 and over	46
Total	14,600

The short term insurance department has recently installed an automated credit approval system, which will enhance its ability to assess risk and at the same time improve service efficiency.

Medium Term Program

During 1994, 225 policyholders were supported in the medium term program (1993 - 203). The top five customers represented 42% of the 1994 medium term insurance policies and guarantees in force, a nominal increase from the 1993 level of 41%.

The number of exporters supported by the medium term insurance policies in force broken down by liability size are as follows:

$ Value of Liability *($ in thousands)*	**Number of Exporters**
1-500	152
501-2,000	96
2,001-5,000	28
5,001-10,000	14
10,001 and over	31
Total	321

The top five policies and loan guarantees in force as at December 31, 1994 represent 34% of the total medium term policies in force (1993 - 29%).

The concentration of risk in terms of policy size and the number of policies issued to specific policyholders has been reflected in the provision adjustment which resulted from an actuarial allowance evaluation. Also, EDC has reinsurance policies in place for three foreign investment policies. In 1995 and beyond, there will be a concentration of business development efforts in providing support to small and emerging exporters as well as on the medium sized segment of the market.

Industry Sector Concentration

The Corporation has a well diversified portfolio from an industry risk perspective and the breakdown is consistent with the industry breakdown in 1993. The Corporation is currently being restructured to move from a product oriented structure towards an industry oriented structure. This initiative will improve the Corporation's service and risk management from an industry perspective.

Product Concentration

The Corporation offers a broad range of insurance products to its customers. Although credit insurance products (global insurance, small business, documentary credits and specific transaction insurance) form 57% of the overall insurance portfolio, the Corporation also offers surety, performance security, foreign investment and bulk agriculture products. There was a fundamental shift in the contribution of business volume by product lines in 1994 compared to 1993, resulting in a 22% increase in the global program.

Claims Experience

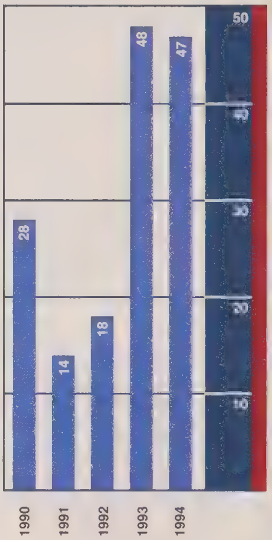
The most striking feature of the Corporation's claim experience is its volatility from year to year. This is a direct result of the relatively small number of policies issued under most programs. Only the global comprehensive and small business policies exist in large numbers.

Transfer and conversion risk accounted for 64% of the total claims paid in 1994, a 14% increase from 1993. During 1994, the $30 million claims paid for transfer and conversion risks were paid on behalf of customers' losses in Iran – $18 million, Algeria – $7 million and Cuba – $5 million. These amounts have been fully recovered or rescheduled. An additional $13 million in claim payments were paid out for buyer default; the major concentrations included the U.S. – $4 million, Mexico – $3 million, Iran – $3 million and Hong Kong – $2 million.

The Corporation wrote off 427 claims for a total of $11 million in 1994. The major concentrations of write-offs were in the U.S. - $6 million, South Korea – $2 million and Venezuela – $1 million.

As at December 31, 1994, the Corporation has $48 million claims paid and outstanding to 41 countries with estimated recoveries of $13 million.

Claims Paid
($ in millions)

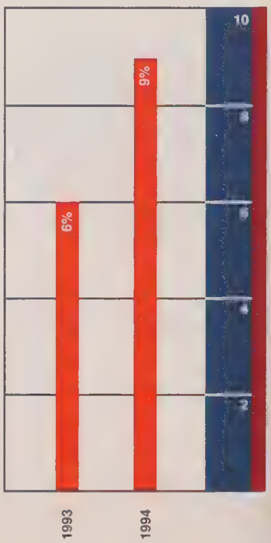


Allowance for Claims on Insurance and Guarantees

As at December 31, 1994, the allowance for insurance claims is $149 million, an increase of $38 million or 34% over the December 31, 1994 allowance of $111 million. Included in the provisioning expense was a $15 million increase in the allowance which resulted from an actuarial allowance evaluation. This increase was made due to the growth of the insurance portfolio as well as the increased concentration of risks in terms of size and length of policies and the number of policies issued to specific counterparties, particularly in the medium term portfolio.

A measure of the risk component of the portfolio can be considered to be the ratio of provision for future insurance claims to average liability of insurance and guarantees in force. This ratio increased to 9%, an increase of 3 percentage points over the 1993 ratio of 6%. As previously noted, this increase was made to reflect the significant degree of concentration of risks, particularly in the medium term and foreign investment insurance portfolios as well as the growth in the insurance business.

Provision as a Percentage of Average Insurance Liability



Treasury Operations

Treasury Policies, Strategies and Approvals

In accordance with the Export Development Act and the Financial Administration Act, EDC funds its capital requirements in international and domestic capital markets through borrowings including issuing bonds, debentures, notes and other evidence of indebtedness. EDC attempts to minimize the cost of borrowing and maximize investment returns while prudently managing interest rate, foreign exchange and credit risks.

EDC manages its assets and liabilities on a portfolio basis. The portfolios are fixed rate, floating rate and liquidity. Each portfolio is made up of assets and liabilities denominated in a number of currencies including Cdn$, U.S.$, Deutsche Marks, Japanese Yen, Swiss Francs, European Currency Units, British Pounds, and Dutch Guilders. As at December 31, 1994, the percentage of total assets in each portfolio was floating rate 45%, fixed rate 44%, and liquidity 11%. Each portfolio may be funded by any of fixed rate debt, floating rate debt, short term debt, various other non-interest bearing sources of funds, and equity.

Risk Management Policies

EDC manages its exposures to interest rate and foreign exchange risk utilizing guidelines developed in consultation with the Department of Finance, and approved by the Corporation's Board of Directors. The Treasury Division meets daily and the Corporation's Finance Committee meets weekly to review and discuss interest rate, foreign exchange and credit risks, and to analyze borrowing requirements. These activities and the asset/liability positions are reported quarterly (or more frequently as required) to EDC's Asset/Liability Committee and quarterly to senior management, the Audit Committee of the Board and the Board of Directors.

It is the Corporation's view that the evaluation of risk exposure is optimized through the use of a number of analytical methodologies, including gap reporting, duration analysis and simulation modelling. In order to support this approach, EDC continues to develop its asset/liability management information systems to assist the Corporation in measuring, managing and reporting financial risk.

Interest Rate Risk

EDC has a set of Asset/Liability Management policies which have been approved by the Board of Directors. The policies that apply to managing interest rate risk are as follows:

- EDC believes that prudent management of portfolio interest rate risk, rather than a matching of individual assets with specific liabilities, is the optimal method of maintaining management flexibility and minimizing borrowing costs;
- EDC generally funds when it requires cash, rather than at the time of commitment on lending rates for loan assets, so that it may avoid the cost of carry, or the cancellation or deferment of contingent assets. EDC normally minimizes its fixed rate bridge financing or warehousing positions, depending on the Corporation's cash requirements and interest rate view.

In addition to the above policies EDC operates using the following specific interest rate risk guidelines:

- EDC controls interest rate risk exposure such that the exposure will not exceed 35% of projected Net Interest Income for any year within the Corporate planning horizon, given an immediate and sustained interest rate shock of +/- 200 basis points. The guideline applied to 1995 projected Net Interest Income results in an exposure of 12%. This exposure together with the foreign exchange exposure will not exceed 40% of projected annual Net Interest Income. This exposure measured 13% as at December 31, 1994.
- EDC will generally endeavor to match the projected term to maturity of its asset/liability portfolios. Specifically, EDC will manage the maturity structure of its existing assets and liabilities such that the difference between maturing fixed rate assets (including signed but undisbursed loans) and maturing liabilities in any given year should not exceed $250 million in any currency. In 1995 and 1996, maturing assets exceed liabilities resulting from extending term on debt when interest rates were historically low. In 1998 maturing liabilities exceed maturing assets but this gap will decrease with increased loan signings.

  Looking forward to the year 2016, EDC is below the guideline in all years except 1995, 1996 and 1998. In addition, the difference between the weighted average term to maturity of EDC's fixed rate assets and liabilities will not exceed two years. As at December 31, 1994, the term on U.S.$ liabilities exceeded the term on U.S.$ assets by one year.
- EDC will not allow its fixed rate bridge financing position to exceed 10% of outstanding loans receivable or 50% of the Corporation's following 12 months' cash requirements, whichever occurs first. As at December 31, 1994 the bridge position equalled 4% of outstanding loans receivable or 30% of cash requirements.
- EDC will not allow its warehousing position to exceed 10% of outstanding loans receivable or 50% of the Corporation's following 12 months' cash requirements, whichever occurs first. EDC does not currently have a significant warehouse position as a result of buying down expensive long term debt.
- EDC will ensure that the level of unfunded, undisbursed commitments as a percentage of total loan and guarantee commitments will not exceed 50%. This position equalled 24% as at December 31, 1994.

Foreign Exchange Risk

It is EDC's policy to enter into hedges to protect the Corporation from interest rate and currency movements with respect to its borrowings. The Corporation endeavors to create liabilities in non-U.S. or Canadian Dollar currencies ("third currencies") matching those of its loans receivable in order to minimize foreign exchange exposure. The specific foreign exchange risk guidelines are as follows:

- EDC may use third currencies that have a close correlation with each other as cross-currency hedges. EDC may also assume foreign exchange exposures such that shocks of +/-2 standard deviations to exchange rates will limit foreign exchange losses to within 15% of projected annual Net Interest Income. The result of applying the formula for controlling the maximum impact on projected Net Interest Income to Corporate foreign exchange exposure, as at December 31, 1994, is 0.33%. This ratio was calculated following the closure of positions in Swiss Francs and Deutsche Marks. Prior to closing these positions EDC incurred a $21 million dollar translation loss, equal to 11% of Net Interest Income compared to the limit of 15%. Losses resulted from unanticipated cash flows in foreign currencies, the volatility of the foreign exchange market, loan provisioning and the depreciation of the Canadian dollar.

- EDC may, in exceptional economic circumstances and within strict limits prescribed by the Board of Directors, take open third currency foreign exchange positions to allow the Corporation to take advantage of favorable market conditions. EDC's Board of Directors has approved the funding of up to 5% of its outstanding long-term indebtedness via unhedged third currency positions.

Credit Risk

Credit risk is the risk that a loss will be incurred if a counterparty fails to meet its obligations. EDC's credit risk includes both on and off-balance sheet instruments. Current outstanding notional amounts by credit rating for all investments as at December 31, 1994 were as follows (in Cdn $ millions):

Credit Rating	Mortgage Backed Securities	Term Deposits	Floating Rate Notes	Sovereign Bonds	Sovereign Paper
AAA	–	–	13	52	–
AA+	–	–	–	17	–
AA	14	85	191	330	–
AA-	–	28	–	28	5
A+	4	98	–	61	–
A	82	45	–	–	–
A-	32	–	14	41	–

Current outstanding notional amounts by credit rating for off-balance sheet instruments as at December 31, 1994 were as follows (in Cdn $ millions):

Credit Rating	Currency Swaps	Interest Rate Swaps	Options	Foreign Exchange	Futures	Forward Rate Agreements
AAA	237	504	561	–	–	–
AA+	–	365	–	–	–	–
AA	–	1,061	842	640	–	10
AA-	758	383	–	1,000	–	–
A+	346	73	–	–	–	–
A	329	78	210	–	–	–
A-	14	–	–	–	–	–

The following chart indicates EDC's top five counterparty exposures for swaps and term deposits as at December 31, 1994 (in Cdn $ millions):

Counterparty	Credit Rating	Exposure in Cdn $
Bank of Tokyo	AA-	122
Dai Ichi Kangyo	A+	96
Mitsubishi	AA-	94
Barclay's Bank	AA	60
San Paolo di Torino	A	45

Against this credit exposure, the Corporation has prudently set aside a general allowance of $13 million. It should be noted that the Corporation has never experienced a credit loss in relation to its investment and off-balance sheet financial instrument portfolios.

Fixed Rate Portfolio

It is estimated that in 1995, EDC's aggregate new fixed rate borrowings will be in excess of $300 million, depending on future loan signings and debt relief. This forecast will increase if EDC borrowers switch to fixed rate from floating rate financing as a substantial flattening of the yield curve occurs. During 1995, outstanding borrowings may increase by a further $750 million as a result of pre-funding 1996 requirements.

In a low interest rate environment when rates are cyclically low, EDC believes that the Corporation should extend term on its liabilities by issuing long term funding. Although this strategy could deviate from EDC's policy of matching the term of its asset and liability portfolios, it would benefit the Corporation by locking in low cost long-term funds.

In 1993 when interest rates were historically low, EDC extended term on its liabilities. As a result, maturities in 1995 are minimal, totalling Cdn $67 million.

Floating Rate Portfolio

It is estimated that in 1995 EDC's floating rate requirements will not exceed $500 million. The Corporation continuously issues short term paper (maturing in less than one year) by means of North American-based, Canadian and U.S. Dollar commercial paper programs. A European-based money market registered claims program, denominated in various currencies, is used to supplement the commercial paper programs. However, the European-based program has decreased considerably in the last few years and will continue to diminish in its importance.

EDC will endeavour to extend the term of its floating rate liabilities. However, there may be limited medium term note opportunities in 1995 as investors shy away from structured transactions. Given the negative press complex derivatives have received, investors will be less willing to invest in instruments which they cannot readily value. Under this scenario, EDC will focus on identifying swap opportunities to issue retail-focused third currency bond issues that are swapped back to U.S. dollars. EDC continues to build up Deutsche Mark and Sterling asset books, and will look for opportunities to issue fixed rate bond issues in these currencies which will be swapped to floating rate Sterling and Deutsche Marks over the course of the year.

The amounts and uses of these borrowings are a function of both the Corporation's financial dynamics and the capital and money markets. Thus, proceeds from these borrowings will be used in varying amounts for Corporate cash requirements, funding fixed rate assets on an interim basis, funding floating rate assets, and for investing in the most effective manner possible in bank deposits and securities as prescribed by the Minister of Finance. The level and uses of these borrowings are determined on an ongoing basis, as required, to support the business activities of the Corporation.

Investment Strategy

EDC maintains Corporate liquidity sufficient to meet its general operating requirements and to maintain stability in the short term borrowing program. It is the policy of EDC that corporate cash holdings be invested in a prudent manner. Investments are governed by the Export Development Act and the Financial Administration Act. Investment vehicles include bonds, stocks, debentures, or other securities guaranteed by the Government of Canada, or the government of a country other than Canada if prescribed by the Minister of Finance. A counterparty credit rating of AA or higher is required in order to meet EDC investment criteria. Short term liquidity equalled $1.1 billion as at December 31, 1994.

Funding Requirements

The following table shows cash requirements on a cumulative basis. For 1995, EDC requires U.S.$317 million of fixed rate funding and U.S.$547 million of floating rate funds. EDC continues to accumulate surplus Canadian dollar funds.

($ in millions)	U.S.$		Cdn$
Period	Fixed	Float	Net
Position @ Dec. 31, 1994	255	267	(757)
Dec. 31, 1995	317	547	(1,129)
Dec. 31, 1996	310	1,573	(1,091)
Dec. 31, 1997	418	2,269	(1,065)
Dec. 31, 1998	893	2,870	(1,099)

Prospects for the Future

1994 saw significant growth in the derivatives market. Key factors contributing to this growth were the volatility of the financial markets, advances in financial technology and increased understanding and desire to control financial risks. Along with increased derivative use, there have been some highly publicized derivatives losses. Many of these losses can be attributed to insufficient controls and a lack of understanding of one's derivatives activities, particularly in the area of complex or highly leveraged instruments. EDC does not and will not engage in the use of such derivatives. However, properly used, simple derivatives such as interest rate or foreign exchange swaps can be an economic avenue for risk reduction and a means to enhance performance.

With a view to using derivatives in a manner consistent with its overall risk management framework, EDC, under the supervision of the Audit Committee and Internal Audit Department, is undergoing a process of revamping its existing risk management policies. This risk management policy framework will aim at re-establishing prudent risk limits, sound measurement practices, continuous risk monitoring and frequent management and Board reporting. In addition, proper procedures and controls will be reviewed to ensure that the policies within the new framework are implemented, thus allowing the Corporation to manage its risk exposures more effectively.

Currently, the measurement, management and reporting of risk at EDC is accomplished through the use of independent systems and spreadsheets. With increasing complexities in financial markets and the growing need to augment transaction capturing and pricing capabilities, EDC has recognized the need to put in place appropriate transaction systems. As well, the Canadian Institute of Chartered Accountants will require that impaired loans contained in the financial statements be presented on a "fair value" basis, beginning in 1996. This necessitates the development of fully integrated systems in order to comply with CICA standards.

EDC has also recognized that a significant investment in technology must be coupled with a significant investment in human resource skills (either internally or through the engagement of external experts) in order to effectively exploit technology in obtaining a competitive edge in the global marketplace.

Finally, it is recognized that an ongoing commitment to technology enhancement and maintenance is necessary if we are to rely on our management information systems in making critical corporate decisions.

The Financial Statements contained in this Annual Report have been prepared by Management in accordance with accounting principles generally accepted in Canada and have been consistently applied. The integrity and objectivity of the data in these Financial Statements are Management's responsibility. The Financial Statements include some amounts, such as the allowances for losses on loans and claims, that are necessarily based on Management's best estimates and judgment. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the Financial Statements. In support of its responsibility, Management maintains financial and management control systems and practices to provide reasonable assurance that the financial information is reliable, that the assets are safeguarded and the operations are carried out effectively. The Corporation has an internal audit department whose functions include reviewing internal controls and their application, on an ongoing basis.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit Committee meets with Management, the internal auditors and the Auditor General of Canada on a regular basis.

The Board of Directors of EDC is responsible for all business undertaken by the Corporation. Contracts which, in the opinion of the Board of Directors, involve risks for a term or an amount in excess of that which the Corporation would normally undertake, may be entered into under the authority of the Governor General in Council where the Minister considers them to be in the national interest. The Board of Directors has the predominant role in the management of this program and is solely responsible for its administration. Funds required for such contracts are paid to the Corporation by Canada, and funds recovered are remitted to Canada, net of amounts withheld to cover related administrative expenses. The administration of accounts on behalf of Canada is shown in Note 16 to the Corporation's Financial Statements.

The Auditor General of Canada conducts an independent audit, in accordance with generally accepted auditing standards, and expresses his opinion on the Financial Statements. His report is presented on the following page.

Paul Labbé
President and
Chief Executive Officer

M.D.J. Bakker
Executive Vice-President and
Chief Financial Officer

AUDITOR GENERAL OF CANADA | VÉRIFICATEUR GÉNÉRAL DU CANADA

To the Minister for International Trade

I have audited the balance sheet of the Export Development Corporation as at December 31, 1994 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Financial Administration Act, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Export Development Act and regulations and the by-laws of the Corporation.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
January 25, 1995

BALANCE SHEET
as at December 31, 1994

($ in millions)	**1994**	1993
ASSETS		
Investments (note 3)	**1,097**	2,085
Accrued interest	**20**	29
	1,117	2,114
Net loans receivable (notes 4, 5, 6 and 12)	**8,037**	6,827
Accrued interest and fees	**160**	98
	8,197	6,925
OTHER		
Recoverable insurance claims (note 9)	**13**	22
Unamortized discount, issue expenses and other assets	**48**	93
	61	115
	$9,375	$9,154

($ in millions)	1994	1993
LIABILITIES		
LOANS PAYABLE (note 10)		
Short term	**1,447**	2,398
Long term	**6,213**	5,226
	7,660	7,624
Accrued interest	**141**	174
	7,801	7,798
OTHER LIABILITIES AND DEFERRED REVENUES		
Accounts payable	**58**	102
Deferred insurance premiums	**18**	16
Allowance for claims on insurance and guarantees (note 9)	**149**	111
Deferred loan revenues and other credits	**258**	232
	483	461
SHAREHOLDER'S EQUITY		
Share capital (note 11)	**813**	788
Retained earnings	**278**	107
	1,091	895
	$9,375	$9,154

Loan Commitments and Insurance and Guarantees (notes 7 and 8)

Approved by the Board of Directors

W.R.C. Blundell
Director

M.D.J. Bakker
Chief Financial Officer

Paul Labbé
Director

Statement of Income and Retained Earnings

for the year ended December 31, 1994

($ in millions)	**1994**	1993
Loans		
Interest earned	**553**	473
Debt relief arrangements (note 12)	**151**	25
Fees earned	**51**	58
	755	556
Less: provision for losses on loans	**140**	156
	615	400
Insurance		
Premiums and fees earned	**51**	51
Less: provision for claims on insurance	**40**	25
	11	26
Investment revenue earned	**38**	92
	664	518
Interest expense		
Long term	**388**	373
Short term	**49**	54
	437	427
Administrative expenses	**56**	50
	493	477
Net income	**171**	41
Retained earnings		
Beginning of year	**107**	91
Dividends paid	**–**	25
End of year	**$278**	$107

Statement of Changes in Financial Position

for the year ended December 31, 1994

($ in millions)	**1994**	1993
Operating Activities		
Net income	**171**	41
Items not affecting cash		
Provision for losses on loans	**140**	156
Provision for claims	**40**	25
Accrued interest and fees	**(89)**	13
Other changes	**36**	15
Cash provided	**298**	250
Lending Activities		
Loans receivable disbursed	**(2,444)**	(1,365)
Loans receivable repaid	**1,672**	1,395
Items not affecting cash		
Net increase in deferred revenue	**19**	52
Interest rescheduled	**(189)**	(1)
Loans interest and expenses reversed	**(3)**	(32)
Cash provided (used)	**(945)**	49
Financing Activities		
Issue of long term loans payable	**1,518**	2,193
Repayment of long term loans payable	**(1,891)**	(955)
Decrease in short term loans payable	**(114)**	(617)
Issue of share capital	**25**	–
Dividends paid	**–**	(25)
Cash provided (used)	**(462)**	596
Increase (decrease) in cash and marketable securities	**(1,099)**	699
Increase (decrease) in long term investment	**(10)**	196
Foreign exchange on opening balance of investments	**121**	31
Investments		
Beginning of year	**2,085**	1,159
End of year	**$1,097**	$2,085

1. CORPORATE MANDATE AND ACTIVITIES

Export Development Corporation ("The Corporation") was established on October 1, 1969 by the Export Development Act ("The Act"), a statute of the Parliament of Canada which was amended on June 10, 1993. The Corporation was created as an agent of Her Majesty in right of Canada for the purposes of supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities. This Act as amended gives EDC the flexibility to consider a wider range of options to meet the needs of Canadian exporters and those investing in foreign markets. The Corporation is accountable for its affairs to Parliament through the Minister for International Trade.

The earnings of the Corporation are not subject to the requirements of the Income Tax Act.

The Corporation is subject to a limit imposed by the Act on its contingent liability programs. The Act specifies that the Corporation's contingent liabilities in respect of the principal amounts owing under all outstanding arrangements shall at no time exceed $15 billion, an amount equal to ten times the authorized capital of the Corporation. As at December 31, 1994, the position against this limit is $7.5 billion (1993 - $6.9 billion).

As an agent of Her Majesty in right of Canada, the payment of all moneys borrowed by EDC and interest thereon and of the principal of and interest on all securities issued by EDC is a charge on and payable out of the Consolidated Revenue Fund of Canada under the Financial Administration Act of Canada. The Act allows the Corporation to borrow up to a maximum of fifteen times the aggregate of its paid-in capital from time to time and the retained earnings determined in accordance with the most recent audited Financial Statements. This limit for borrowing is $13.4 billion (1993 - $13.2 billion), against which borrowings amounted to $7.7 billion (1993 - $7.6 billion).

The Corporation enters into transactions with other Government departments, agencies, and Crown Corporations in the normal course of business.

2. Summary of Significant Accounting Policies

Investments

Investments which are being held to maturity are carried at cost. Gains and losses on these investments are recognized in income only when they are realized and the asset is removed from the balance sheet. The unrealized gains and losses arising from investments which are carried at market value are included in investment revenue earned.

Net Loans Receivable

Interest income is accrued on loans classified as performing. Non-performing indicates a significant doubt regarding the short to medium term collectibility or a lack of significant payment for 180 days; interest thereon is not recorded for accounting purposes.

Gross loans receivable have been reduced by the allowance for losses on loans and by the non-accrued capitalized interest. Renegotiations of non-performing loans result in rescheduling agreements.

Loan Interest and Fees

Loan interest is recorded on the accrual basis until such time as Management determines that a loan should be classified as non-performing. Subsequently, when a loan is classified as non-performing, the Corporation reverses previously accrued interest against the allowance for losses on loans.

Any interest payment on a non-performing loan is recorded as interest income when received.

A non-performing loan is restored to an accrual basis after a pattern of regular payments has been established, normally after three years. When the Corporation restores the loan to an accrual basis, previously non-accrued capitalized interest is recognized over the remaining life of the loan.

Loan fees are normally taken into income over the disbursement and repayment periods of the related loan.

Debt Relief Arrangements

In accordance with the terms of multilateral debt reduction and debt service agreements between the Government of Canada and sovereign borrowers, the Corporation accrues as interest revenue amounts due from the Government including interest for debt service agreements, and previously non-accrued capitalized interest for debt reduction agreements.

Allowance for Losses on Loans

The allowance for losses on loans is based on a review of collectibility of all loans to commercial and sovereign borrowers.

As the result of the review of all loans to commercial borrowers, the Corporation charges to income an amount sufficient to specifically provide for potential losses on the commercial loans receivable portfolio to reflect the impairment of the related commercial loan assets.

The Corporation also sets aside a general allowance based on Management's best estimates of potential losses on the commercial and sovereign loans receivable portfolio for which no specific provision has been made.

It is Management's opinion, based on the Corporation's experience, that except in the rare instances of outright repudiation or the write-off of asset value agreed to by creditors, the ultimate collectibility of a sovereign obligation is not subject to question although indefinite delays in repayment of principal and interest may have to be accepted.

Recoverable Insurance Claims

Recoverable insurance claims payments are recorded at estimated recoverable values. Subsequent net gains or losses on recovery are credited or charged to the allowance for claims on insurance and guarantees.

Allowance for Claims on Insurance and Guarantees

The allowance for claims on insurance and guarantees is based on an actuarial review of net loss experience and potential net losses and represents Management's best estimate of the liability under existing policies and guarantees.

Insurance Premiums

For short term insurance policies, premiums are taken into income at the commencement of coverage. Premiums on other export insurance policies are taken into income using methods which generally reflect the exposures over the terms of the policies. Reinsurance premiums and recoveries on losses incurred are recorded as reductions of the respective income and balance sheet accounts. Unearned premiums on insurance transferred to reinsurers and estimates of amounts recoverable from reinsurers on unpaid claims are deducted from deferred premiums and recoverable claims respectively.

Interest Expense

Interest expense includes hedging expenses, costs of issuing derivative financial instruments, and the amortization of debt discount and issue expenses which are charged to income over the life of the related debt.

Translation of Foreign Currency

The Corporation hedges its U.S. dollar assets and liabilities on a total portfolio basis. Any net exposure to future changes in the U.S. dollar foreign exchange rate is due to short term timing differences in cash flows. It is the Corporation's policy to manage assets and liabilities denominated in U.S. dollars in such a way as to minimize this net exposure. Assets and liabilities in foreign currencies other than U.S. dollars are also normally hedged to minimize exposures. All assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at year end.

Income and expenses are translated at daily exchange rates in effect during the year.

Exchange gains and losses resulting from the translation of foreign currency balances and transactions are reported with investment revenue earned.

Other Financial Instruments

The Corporation uses a variety of off-balance sheet derivative financial instruments, such as forward exchange contracts, currency swaps, interest rate swaps, options (caps and floors used as options), and futures, to reduce market risks and funding costs.

Gains or losses arising from transactions designated as hedges are deferred and recognized in income over the remaining life of the hedged item. The costs of issuing these instruments are included in interest expense.

3. Investments

The Corporation maintains a liquidity position in various instruments to meet its general operating requirements.

($ in millions)	**1994**	1993
Cash and short term deposits	**284**	792
Marketable securities [1]	**627**	1,097
Long term investment [2]	**186**	196
	$1,097	$2,085

[1] Includes investments carried at cost totalling $463 million (1993 - $nil). The market value of these investments as at December 31, 1994 is $450 million.

[2] Related Party Transaction: (Promissory Notes, Ridley Terminals Inc., maturing 1998) carried at cost.

4. Net Loans Receivable

Loans receivable mature as follows:

($ in millions)		**1994**			1993	
	Fixed	**Floating**	**Total**	Fixed	Floating	Total
Overdue	7	**14**	**21**	4	7	11
1994	–	–	–	580	423	1,003
1995*	**522**	**875**	**1,397**	519	212	731
1996	**537**	**301**	**838**	421	191	612
1997	**448**	**323**	**771**	371	207	578
1998	**428**	**268**	**696**	347	158	505
1999	**363**	**246**	**609**	279	131	410
2000 and thereafter	**1,720**	**1,251**	**2,971**	1,114	331	1,445
Non-performing	**394**	**2,204**	**2,598**	659	2,467	3,126
Total Gross Loans Receivable	**$4,419**	**$5,482**	**$9,901**	$4,294	$4,127	$8,421
Less: non-accrued capitalized interest for:						
– non-performing loans	5	**749**	**754**	1	842	843
– performing loans	–	**175**	**175**	–	–	–
Subtotal	**4,414**	**4,558**	**8,972**	4,293	3,285	7,578
Less: allowance for losses on loans			**935**			751
Net Loans Receivable			**$8,037**			$6,827

* Includes amounts owing by the Government of Canada of $359 million (1993 - $0) for debt relief arrangements.

At December 31, 1994, the Corporation's performing loans receivable carry the following estimated effective yield:

($ in millions)	1994		1993	
	$	%	$	%
Commercial				
– fixed[1]	995	9.12	780	8.98
– floating[2]	1,231	+1.14	704	+1.05
Subtotal	2,226		1,484	
Sovereign				
– fixed[1]	3,030	9.27	2,855	9.82
– floating[2]	2,047	+.88	956	+1.32
Subtotal	5,077		3,811	
Total Performing	$7,303		$5,295	

1 Computed on a weighted average basis.
2 Spread over floating interest rates represented mainly by LIBOR for U.S. Dollars and Prime for Canadian Dollars.

Performing gross loans receivable by risk categories are as follows:

($ in millions)	1994	1993
Commercial Risk		
Best Risk	1,105	891
Good Risk	546	334
Increased Risk	236	236
Performing Watch Risk	339	23
Subtotal	2,226	1,484
Sovereign Risk		
Best Risk	359	–
Good Risk	2,315	1,471
Increased Risk	1,020	1,706
Performing Watch Risk	1,383	634
Subtotal	5,077	3,811
Total Performing	$7,303	$5,295

5. Non-Performing Loans Receivable

The Corporation has $2,598 million non-performing gross loans receivable (1993 - $3,126 million) of which $2,508 million is sovereign (1993 - $3,038 million) and $90 million is commercial (1993 - $88 million). The largest concentrations of non-performing loans are as follows:

($ in millions)	1994			1993			
	Gross loans receivable	Non-accrued capitalized interest*	Non-accrued interest		Gross loans receivable	Non-accrued capitalized interest*	Non-accrued interest
Sovereign				**Sovereign**			
Peru	571	306	6	Peru	507	254	23
Brazil	442	48	53	Poland	488	234	6
Cameroon	367	102	11	Brazil	443	46	40
Argentina	280	77	5	Egypt	322	59	8
Côte d'Ivoire	264	90	6	Cameroon	294	48	39
Other	584	131	102	Other	984	202	157
	2,508	754	183		3,038	843	273
Commercial				**Commercial**			
Financial Institutions, Yugoslavia	90	–	36	Financial Institutions, Yugoslavia	88	–	24
Total Non-performing	$2,598	$754	$219	Total Non-performing	$3,126	$843	$297

* Amounts are included in gross loans receivable.

During 1994, interest not accrued during the year for non-performing loans is $185 million (1993 - $176 million). The Corporation received interest payments of $79 million in 1994 (1993 - $70 million) from loans designated as non-performing and these payments are recognized as interest earned when received.

The largest receipts from sovereign borrowers are as noted:

($ in millions)	1994		1993
Brazil	20	Brazil	22
Argentina	12	Egypt	13
Egypt	11	Peru	11
Peru	9	Argentina	10
Gabon	8	Poland	5
Other countries	19	Other countries	9
Total	$79	Total	$70

6. Allowance for Losses on Loans

The allowance for losses on loans is as follows:

($ in millions)		**1994**				1993
	Sovereign	**Commercial**	**Total**	Sovereign	Commercial	Total
General allowance	**774**	**94**	**868**	640	49	689
Specific	**–**	**67**	**67**	–	62	62
Total	**$774**	**$161**	**$935**	$640	$111	$751

During the year, changes to the allowance for losses on loans are as follows:

($ in millions)	**1994**	1993
Balance at beginning of year	**751**	609
Provision for losses on loans	**140**	156
Interest reversals for non-performing loans	**(3)**	(30)
Write-offs	**–**	(1)
Recoveries	**5**	–
Foreign exchange	**42**	17
Balance at end of year	**$935**	$751

7. Loan Commitments

The Corporation had undisbursed commitments of $2,357 million (1993 -$3,238 million). The undisbursed loan commitments by risk categories are as follows:

($ in millions)	**1994**	1993
Commercial Risk		
Best Risk	**646**	751
Good Risk	**327**	822
Increased Risk	**36**	137
Performing Watch Risk	**242**	9
Subtotal	**1,251**	1,719
Sovereign Risk		
Best Risk	**–**	–
Good Risk	**423**	721
Increased Risk	**428**	652
Performing Watch Risk	**255**	146
Subtotal	**1,106**	1,519
Total	**$2,357**	$3,238

The Corporation expects to fund these undisbursed commitments near the time of their disbursement, typically over a three year period, by issuing a combination of debt instruments in world capital markets at commercial rates of interest and capital stock. The Corporation generally attempts to match debt maturities and currencies with those of its loans on a portfolio basis.

The estimated effective yield of undisbursed commitments is as follows:

($ in millions)	1994		1993	
	$	%	$	%
COMMERCIAL				
– fixed[1]	189	8.79	353	9.60
– floating[2]	1,062	+.80	1,366	+.56
Subtotal	1,251		1,719	
SOVEREIGN				
– fixed[1]	783	8.54	1,183	8.41
– floating[2]	323	+2.56	336	+2.66
Subtotal	1,106		1,519	
Total	$2,357		$3,238	

[1] Computed on a weighted average basis.
[2] Spread over floating interest rates represented mainly by LIBOR for U.S. Dollars.

8. Insurance and Guarantees

The Corporation has insurance policies in force and guarantees outstanding of $5,340 million (1993 - $4,552 million). These insurance policies and guarantees mature as follows:

($ in millions)	1994	1993
Short Term Program	3,200	2,568
Medium Term Program		
1994	–	735
1995	571	168
1996	209	141
1997	214	166
1998	34	22
1999	220	108
2000 and thereafter	892	644
Total	$5,340	$4,552

The major concentrations by location of ultimate risk are as follows:

($ in millions)	1994			1993			
	Medium Term	Short Term	Total		Medium Term	Short Term	Total
Mexico	17	868	885	U.S.	20	692	712
U.S.	34	834	868	Mexico	16	541	557
Turkey	267	117	384	Turkey	203	103	306
Brazil	2	287	289	Iran	148	78	226
Malaysia	195	28	223	Japan	–	224	224
Other	1,625	1,066	2,691	Other	1,597	930	2,527
Total	$2,140	$3,200	$5,340	Total	$1,984	$2,568	$4,552

The breakdown by industry sector is as follows (%):

	1994			1993		
	Medium Term	**Short Term**	**Total**	Medium Term	Short Term	Total
Forestry	–	**35**	**21**	–	33	19
Base/Semi-Manufactured Goods	**2**	**19**	**12**	4	19	12
Consumer Goods/Sales	**10**	**29**	**21**	9	35	24
Information Technology	**7**	**8**	**8**	7	6	6
Financial Institutions	**23**	**2**	**10**	20	1	10
Industrial Equipment	**6**	**3**	**5**	12	3	7
Transportation	**17**	**2**	**8**	19	2	10
Construction/Engineering	**31**	**2**	**13**	23	1	10
Energy	**4**	–	**2**	6	–	2
Total	**100**	**100**	**100**	100	100	100

Of the $5,340 million (1993 - $4,552 million) insurance policies in force and guarantees, the following policy types were supported:

($ in millions)	**1994**	1993
Credit Insurance	**3,028**	2,441
Performance Security	**572**	435
Surety	**148**	159
Bulk Agriculture	**617**	694
Foreign Investment Insurance	**732**	596
Loan Guarantees	**243**	227
Total	**$5,340**	$4,552

Reinsurance of $70 million has been deducted from the insurance policies in force. This amount represents reinsurance with Multilateral Investment Guarantee Agency (MIGA) for three foreign investment insurance policies in Guyana.

9. Recoverable Insurance Claims and Allowance for Claims

In 1994, the Corporation paid claims on insurance of $47 million (1993 - $48 million), and recovered claims of $38 million (1993 - $22 million). In addition, claim payments of $13 million were rescheduled ($7 million in Algeria, $3 million in Russia and $3 million in Congo).

Of the $47 million claim payments in 1994, 93% were related to the short term program. The largest concentrations of claim payments were in the following countries:

($ in millions)

1994	Claims Paid	Claims Recovered	1993	Claims Paid	Claims Recovered
Iran	**21**	**23**	Iran	19	16
Algeria	**7**	–	U.S.	10	3
U.S.	**6**	**2**	Cuba	8	–
Cuba	**5**	**12**	Belgium	3	–
Mexico	**3**	–	Bulgaria	3	–
Other	**5**	**1**	Other	5	3
Total	**$47**	**$38**	Total	$48	$22

The breakdown of the $47 million in claim payments by industry sector is as follows (%):

	1994	1993
Forestry	**24**	33
Base/Semi Manufactured Goods	**5**	5
Consumer Goods and Sales	**30**	15
Information Technology	–	2
Financial Institutions	**26**	15
Industrial Equipment	**13**	18
Transportation	**1**	6
Construction/Engineering	**1**	6
Energy	–	–
Total	**100**	100

During the year, changes to the claims allowance were as follows:

($ in millions)	1994	1993
Balance at beginning of year	**111**	97
Provision for claims	**40**	25
Claims recovery expenses	**(1)**	(1)
Re-evaluation of recoverable claims	**(5)**	(13)
Foreign exchange	**4**	3
Balance at end of year	**$149**	$111

10. Loans Payable

The Corporation issues debt instruments in world capital markets at commercial rates of interest. Long term instruments are issued by the Corporation in Canadian Dollars, U.S. Dollars and third currencies. The Corporation utilizes Currency Swaps to convert foreign denominated fixed rate notes primarily to U.S. Dollars. Interest Rate Swaps are utilized to convert fixed rate instruments to floating rate at rates primarily related to LIBOR.

Total loans payable mature as follows:

($ in millions)	**1994**	1993
Within 12 months:		
Fixed Rate	**67**	617
Floating Rate	**1,380**	1,781
1995	–	154
1996	**1,031**	721
1997	**512**	235
1998	**1,542**	1,521
1999	**842**	728
2000 and thereafter	**2,286**	1,867
Total	**$7,660**	$7,624
Loans included above at fixed rates (effective interest rate 7.47%; 1993 - 7.44%)	**3,213**	4,295
Floating rate loans, Fixed rate loans swapped to floating rate, and short term fixed rate revolving loans (effective interest rate 5.32%; 1993 - 3.08%)	**$4,447**	$3,329

11. Share Capital

The authorized share capital is $1.5 billion consisting of 15 million shares with a par value of $100 each. The number of shares issued and fully paid is 8.1 million (1993 - 7.9 million). During 1994, the Corporation issued 250 thousand shares (1993 - no shares).

12. Related Party Transactions

As an export credit agency and an agent of Her Majesty in right of Canada, the Corporation benefits from Canada's membership in the Paris Club, an international group, formed to deal on a multilateral basis with payment difficulties experienced by sovereign entities. Through the auspices of this Club and with subsequent negotiation, rescheduling agreements are arranged in conjunction with the implementation of International Monetary Fund disciplines to alleviate these payment problems.

The Government of Canada is of the view that the evolution of the international debt strategy could lead to multilateral agreements to provide debt and debt service reduction by creditor governments in order to facilitate approved economic adjustment programs by certain debtor countries. The Government of Canada has undertaken to compensate the Corporation fully for any financial consequences arising from the Government's participation in multilateral activities to provide debt and debt service reduction.

During 1994, the Government of Canada entered into new agreements for debt relief with Poland and Egypt. Previous debt relief arrangements were changed from assistance with payment of interest to actual reduction of the principal amount of debt. Consequently, the Corporation has recognized revenue of $120 million (1993 - $0), pursuant to debt reduction agreements, and $31 million (1993 - $25 million) pursuant to debt service agreements. Loan principal which would have otherwise been paid by debtor countries has now been reclassified as receivable from Canada. As a result of these transactions, an amount of $359 million (1993 - $0) due from the Government of Canada is included in net loans receivable.

13. Foreign Currency Balances

The Corporation has substantial assets and liabilities in U.S. dollars and in other currencies. The Canadian dollar equivalent after taking into consideration foreign exchange contracts is as follows:

($ in millions)	**1994**	1993
Deutsche Marks		
Assets	**333**	204
Liabilities	**469**	384
Net balance	**(136)**	(180)
Rate of exchange DM 1.00	**0.9053**	0.7611
European Currency Units		
Assets	**259**	277
Liabilities	**170**	159
Net balance	**89**	118
Rate of exchange ECU 1.00	**1.7191**	1.4736
Swiss Francs		
Assets	**3**	19
Liabilities	**3**	55
Net balance	**–**	(36)
Rate of exchange SF 1.00	**1.0712**	0.8901
U.S. Dollars		
Assets	**7,428**	7,292
Liabilities	**7,361**	7,294
Net balance	**67**	(2)
Rate of exchange U.S.$1.00	**1.4028**	1.3240
Other Currencies		
Assets	**54**	5
Liabilities	**49**	4
Net Balance	**5**	1

14. Financial Instruments With Off-Balance Sheet Risk

In any transaction there is always an inherent risk of loss. These risks may be classified as credit risks, wherein the counterparty to a transaction does not perform as agreed, or market risks where an exposure exists as a result of changes in foreign exchange and/or interest rates.

The Corporation manages its exposure to credit risk by dealing only with financial institutions having original credit ratings of A for terms three years and under, and AA for terms greater than three years. Internal procedures establish proper credit approvals, controls and monitoring. The Corporation does not anticipate any significant non-performance by the counterparties due to the control procedures in place.

The breakdown of counterparty exposures is as follows, using internationally accepted ratings assigned by authoritative sources.

($ in millions)	**1994**	1993
AAA	**15**	18
AA1	–	151
AA2	**11**	201
AA3	**216**	524
A1	**105**	295
A2	–	–
A3	**2**	–
Total	**$349**	$1,189

To limit its exposure to market risk, and to reduce its funding costs, the Corporation uses hedges and derivative financial instruments with off-balance sheet risk. Financial instruments, mostly in U.S. dollars, with contractual or notional principal amounts outstanding as at December 31, 1994 were as follows:

($ in millions)	**1994**	1993
Foreign exchange contracts	**$1,640**	$1,415
Currency swaps	**1,684**	1,605
Interest rate swaps	**2,464**	2,589
Interest Rate Caps sold, exposure until 1998 (U.S.$)	**350**	350
Interest Rate Options written, exposure to 1998 (U.S.$)	**800**	800
Forward rate agreements	**10**	–

Credit risks inherent in the hedges, derivative financial instruments and investments have been estimated not to exceed $13 million. Accordingly, an allowance for credit risk of $13 million (1993 - $13 million) has been established. This amount is included in the Accounts Payable.

15. Executive Remuneration

The Corporation has six executive officers. In addition to the cash remuneration of $825,000, executives were provided with various benefits which were beyond those provided as standard to all Corporation employees. These additional benefits which included corporate automobile allowances and financial counselling are valued at approximately $60,000.

16. Accounts Administered for Canada

(a) Pursuant to the Act, the Corporation administers for Canada certain loans and contingent liability programs entered into under the authority of the Minister for International Trade with the concurrence of the Minister of Finance for which the Board of Directors is only responsible for the management and administration of the program. These accounts are maintained separately from the Corporation's accounts, and are consolidated annually as at March 31 with the financial statements of the Government of Canada which are reported upon separately by the Auditor General of Canada. The assets administered for Canada, mainly loans receivable and accrued interest and fees recorded in accordance with accounting policies and practices approved by the Government of Canada, amounted to $2,641 million (1993 - $2,333 million).

(b) Statutory limits, loan and loan commitments, and contingent liability programs in force.

The Act allows the Accounts administered for Canada to have outstanding loans and commitments to foreign borrowers, and liabilities under contracts of insurance and other agreements up to a maximum of $13 billion. The position against this limit, determined in accordance with the requirements of the Act, is $4,134 million (1993 - $3,976 million).

(c) The Corporation received reimbursement of expenses and administration fees from Canada of $14 million (1993 - $13 million).

as at December 31

BALANCE SHEETS

($ in millions)	**1994**	1993	1992	1991	1990
Gross loans receivable	**9,901**	8,421	8,191	6,875	6,210
Less: Non-accrued capitalized interest	**929**	843	828	379	232
Less: Allowance for losses on loans	**935**	751	609	449	410
Net loans receivable	**8,037**	6,827	6,754	6,047	5,568
Investments	**1,097**	2,085	1,159	962	1,293
Accrued interest and other assets	**241**	242	194	159	179
Total assets	**9,375**	9,154	8,107	7,168	7,040
Loans payable	**7,660**	7,624	6,746	5,914	5,855
Accrued interest and other liabilities	**475**	524	384	333	352
Allowance for claims	**149**	111	98	86	47
Total liabilities	**8,284**	8,259	7,228	6,333	6,254
Share capital	**813**	788	788	788	772
Retained earnings	**278**	107	91	47	14
Shareholder's equity	**1,091**	895	879	835	786
Total liabilities and shareholder's equity	**$9,375**	$9,154	$8,107	$7,168	$7,040

INCOME STATEMENTS

Loan interest and fees earned	**604**	531	528	483	503
Debt relief arrangements	**151**	25	31	29	–
Insurance premiums and fees earned	**51**	51	39	30	26
Investment revenue earned	**38**	92	62	68	113
Total income	**844**	699	660	610	642
Interest expense	**437**	427	399	417	501
Provisions for losses on loans and claims	**180**	181	172	117	96
Administrative expenses	**56**	50	45	43	39
Total expenses	**673**	658	616	577	636
Net income	**$171**	$41	$44	$33	$6

CORPORATE ACCOUNT
($ in millions)

FINANCIAL ARRANGEMENTS FACILITATED

	1994	1993	1992	1991	1990
EXPORT FINANCING					
Direct financing	**1,879**	3,191	2,066	1,411	1,271
Related CIDA loans and other financing	**10**	2	14	26	5
Subtotal	**1,889**	3,193	2,080	1,437	1,276
EXPORT INSURANCE					
Short term insurance*	**8,164**	7,009	5,340	3,890	3,330
Medium term insurance*	**1,300**	1,437	1,147	1,115	1,447
Guarantees*	**288**	129	103	73	67
Subtotal	**9,752**	8,575	6,590	5,078	4,844
Total	**$11,641**	$11,768	$8,670	$6,515	$6,120

FINANCIAL AND OTHER DATA

	1994	1993	1992	1991	1990
EXPORT FINANCING					
Number of transactions financed	**137**	164	154	163	147
Number of loans receivable	**838**	878	914	903	822
Value of total obligations on loans receivable	**9,935**	8,466	8,243	6,929	6,275
Number of undisbursed loans	**197**	213	264	280	269
Value of undisbursed loans	**2,357**	3,238	2,281	1,863	1,901
Value of disbursements to exporters during period	**2,444**	1,365	1,707	1,494	1,395
Value of liability on loan guarantees	**202**	145	20	22	23
Undisbursed amounts on loan guarantees	**41**	82	1	2	6
Number of current lines of credit and protocols	**44**	34	38	40	32
Amounts available for allocation	**1,799**	2,697	3,366	4,024	2,731
Loan amounts rescheduled	**1,397**	83	982	919	475
Loan recoveries	**5**	–	–	–	–
Loan amounts written off	**–**	1	1	–	1
EXPORT INSURANCE					
Number of policies issued	**1,732**	1,819	1,570	1,573	1,215
Number of insurance policies and guarantees in force	**3,186**	3,000	2,432	2,330	1,936
Value of liability on insurance and guarantees	**7,221**	6,607	5,677	5,364	4,748
Value of claims paid	**47**	48	18	14	28
Value of claims recovered/rescheduled	**51**	22	3	12	5
Value of claims outstanding at year-end	**48**	61	40	33	41
Value of claims under consideration at year-end	**10**	2	3	3	5
Average Employee Strength During Year	**549**	541	512	513	514

* Figures prior to 1994 are restated to conform with current calculating practices.

Canada Account
($ in millions)

Financial Arrangements Facilitated

	1994	1993	1992	1991	1990
Export Financing					
Direct financing	**317**	901	551	244	198
Related CIDA loans and other financing	**137**	–	8	4	–
Subtotal	**454**	901	559	248	198
Export Insurance					
Short term insurance*	–	58	80	58	24
Medium term insurance*	**168**	341	200	35	30
Guarantees*	**2**	30	2	–	25
Subtotal	**170**	429	282	93	79
Total	**$624**	$1,330	$841	$341	$277

Financial and Other Data

	1994	1993	1992	1991	1990
Export Financing					
Number of transactions financed	**7**	33	16	34	34
Number of loans receivable	**247**	239	209	197	145
Value of total obligations on loans receivable	**2,517**	2,213	1,856	1,448	1,094
Number of undisbursed loans	**81**	94	108	133	108
Value of undisbursed loans	**729**	642	566	341	446
Value of disbursements to exporters during period	**258**	404	389	345	239
Number of current lines of credit and protocols	**3**	2	3	2	1
Amounts available for allocation	**120**	110	286	300	290
Loan amounts rescheduled	**305**	62	86	256	87
Export Insurance					
Number of policies issued	**15**	25	32	20	21
Number of insurance policies and guarantees in force	**33**	41	48	33	25
Value of liability on insurance and guarantees	**482**	721	380	152	89
Value of claims paid	**20**	1	–	–	–
Value of claims recovered	–	–	–	1	–
Value of claims outstanding at year-end	**22**	2	–	–	–

* Figures prior to 1994 are restated to conform with current calculating practices.

Corporate Management

(As at February 1, 1995)

Leona Assié
Director
Administrative Services

Martin Bakker ■ ●
Executive Vice-President & Chief Financial Officer, Finance

Jim Brockbank
Vice-President
Information Technology Team

Rolfe Cooke
Vice-President
Financial Planning & Analysis

Corey Copeland
Director
Corporate Communications

Don Curtis ●
Vice-President
Operations Services

June Domokos
Vice-President
Asia & Pacific

George A. Elliott
Controller
General Accounting

Patrick Escleine
Vice-President
Medium Term Insurance

Ruth Fothergill
Regional Vice-President
Ontario Region

John Gagan ●
Vice-President & Corporate Controller
Corporate Finance & Control

Ian Gillespie ●
Senior Vice-President
Short Term Insurance and Risk Management

Glen Hammond
Regional Vice-President
Western Region

Glen Hodgson
Director
Government Relations & Corporate Policy

Wayne Hughes
General Manager
Human Resources

John Hutchison
Vice-President
Emerging Exporter Team

Paul Labbé ■ ●
President & Chief Executive Officer

Louise Landry
General Manager
Corporate Planning

Marc Leduc
General Counsel
Legal Services

Clare Marshall
Senior Vice-President & Treasurer
Treasury

Mike McLean
Vice-President
Americas

Jim Olts
Chief Economist
Economics Division

Toby Price
Regional Vice-President
Quebec & Atlantic Region

Roger Pruneau ■ ●
Executive Vice-President
Operations

Bruce Raby
Director
Internal Audit & Evaluation

Gilles Ross
Senior Vice-President & Secretary

Léo Savoie
Manager
Financial Planning, Cost & Risk Analysis

Eric Siegel ●
Vice-President
Corporate Change

Edward Simac
General Manager
Information Technology

Henri Souquières
Vice-President
Africa, Middle East & Europe

■ *Office of the President*
● *Change Management Team*

Board of Directors

(As at December 31, 1994)

William Blundell ●■✖✚
Corporate Director
Toronto, Ontario

Dorothy Byrne
Vice President,
Law and Regulatory
Affairs and Corporate Secretary
BC Telecom Inc. and BC Tel
Burnaby, B.C.

Lloyd Callahan ◆
President
Callahan Construction
Company Ltd.
Kelowna, B.C.

John Chomiak ◆
President
Hemisphere Engineering Inc.
Edmonton, Alberta

Louise Fréchette
Associate Deputy
Minister and G-7 Deputy
Department of Finance
Ottawa, Ontario

Brian Gallery ◆
Publisher and Editor
Canadian Sailings
Montreal, Quebec

Allen Kilpatrick ✖
Deputy Minister
for International Trade
Ottawa, Ontario

Nairn Knott ◆
Financial Executive
Vancouver, B.C.

Paul Labbé ✖✚
President and
Chief Executive Officer
Export Development
Corporation
Ottawa, Canada

Huguette Labelle
President
Canadian International
Development Agency
Hull, Quebec

Jacques Laurent, Q.C. ▲✖✱
Senior Partner
Guy & Gilbert
Montreal, Quebec

Jane Martin
President and
Chief Executive Officer
Vas-Cath Incorporated
Mississauga, Ontario

Thomas Munn ▲✚
President
Munn & Company Limited
Mount Pearl, Newfoundland

James Pattillo
President and
Chief Executive Officer
XL Foods Ltd.
Calgary, Alberta

Alexander Stuart ★✚✣
Chairman of the Board
and Chief Executive Officer
The Electrolyser
Corporation Ltd.
Toronto, Ontario

★ *Chairman of the Board of Directors*
● *Vice Chairman of the Board of Directors*
■ *Chairman of the Audit Committee of the Board*
▲ *Member of the Audit Committee of the Board*
✣ *Chairman of the Executive Committee*
✖ *Member of the Executive Committee of the Board*
✱ *Chairman of the Compensation Committee of the Board*
✚ *Member of the Compensation Committee of the Board*
◆ *Member of the Business Development Committee of the Board*

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Fax: (514) 878-9891

Halifax

Export Development Corporation
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1995 Annual Report

1995

MINIMIZE RISK • EXPORT WITH CONFIDENCE

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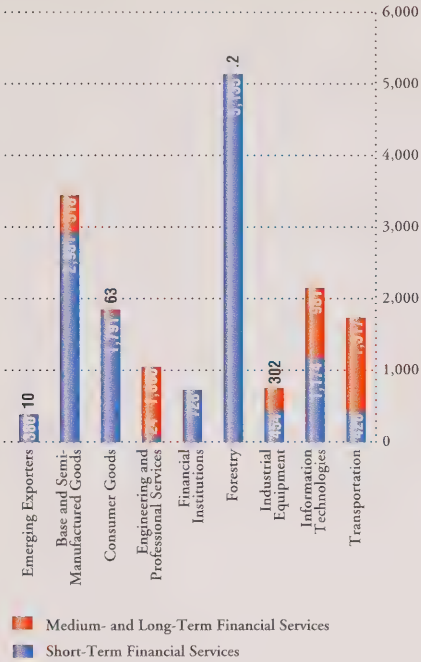
1995 Corporate Account Highlights

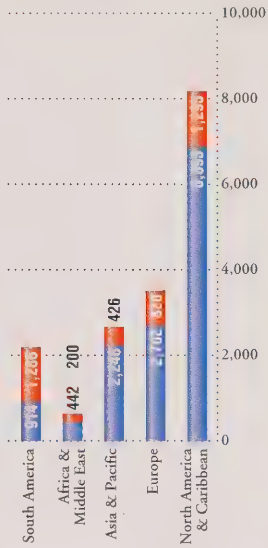
Business Volume By Industry Sector

($ in millions)



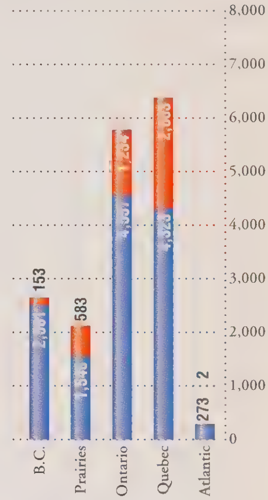
Business Volume By Geographic Market

($ in millions)



Business Volume By Domestic Region

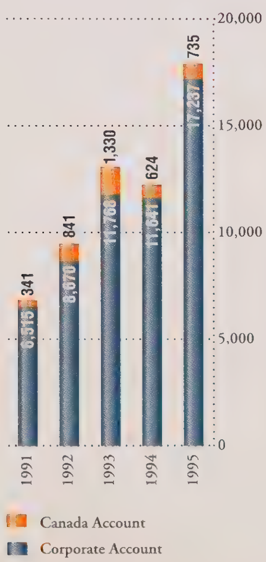
($ in millions)



Five Year Review

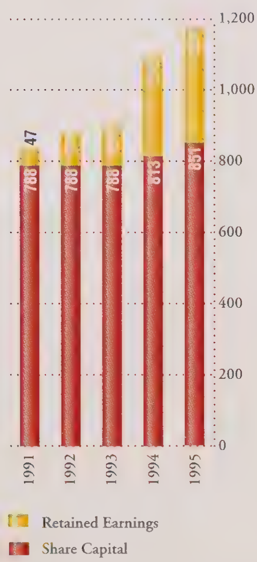
Business Volume

($ in millions)



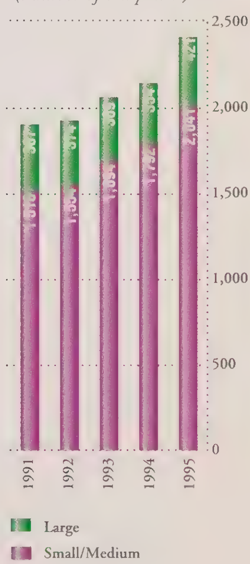
Shareholders' Equity

($ in millions)



Customers Served

(number of companies)



1995 Performance Against Objectives

Customer Satisfaction

Customer satisfaction is fundamental to every aspect of our business. A component of our annual customer survey is the Customer Satisfaction Index (CSI) which rates our customers' overall satisfaction with EDC as well as their likelihood of recommending EDC to their business associates.

	1994 Actual	1995 Target	**1995 Actual**	1996 Target
CSI (score out of 10)	8.3	8.6	**8.5**	8.6

Customers Served

An increasing number of customers benefited directly from EDC services in 1995. Several thousand more companies benefited indirectly from EDC-backed transactions by supplying goods and services to our customers.

	1994 Actual	1995 Target	**1995 Actual**	1996 Target[1]
Customers Served	2,146	2,250	**2,462**	2,900

[1] *A 1996 target of 2,475 was set in the fall of 1995 in the context of developing EDC's Corporate Plan. A new operational target of 2,900 customers was set subsequently by management, based on 1995 year-end results.*

Business Volume

A measure of our success in meeting the financial needs of our customers is the volume of business concluded during the year. The growth in our short-term financial programs has been particularly impressive in 1995.

($ in billions)	1994 Actual	1995 Target	**1995 Actual**	1996 Target[2]
Short-Term Financial Services	$8.2	$9.3	**$13.0**	$15.2
Medium- and Long-Term Financial Services	$3.5	$4.6	**$4.2**	$5.3
Total	$11.7	$13.9	**$17.2**	$20.5

[2] *A 1996 target of $19.9 billion was set in the fall of 1995 in the context of developing EDC's Corporate Plan. A new operational target of $20.5 billion was set subsequently by management, based on 1995 year-end results.*

Productivity

Productivity is measured by the volume of business supported per dollar spent on administration. The 1995 results reflect both higher volumes and lower administrative expenses than projected. Business volume growth is expected to slow down in 1996, and administrative expenses will increase primarily as a result of our investment in information technology.

	1994 Actual	1995 Target	**1995 Actual**	1996 Target[3]
Productivity Ratio	$207	$217	**$302**	$317

[3] *A 1996 target of $284 was set in the fall of 1995 in the context of developing EDC's Corporate Plan. A new operational target of $317 was set subsequently by management, based on 1995 year-end results.*

Financial Results

EDC recognizes the need to secure a solid financial foundation to ensure long-term competitive support to our customers. As such, it strives to achieve a return on equity that is at least equal to the rate of inflation.

	1994 Actual[4]	1995 Target[5]	**1995 Actual**	1996 Target
Net Income *($ in millions)*	$171	$77	**$44**	$45
ROE	15.7%	6.7%	**3.8%**	3.7%

[4] *Includes payments of $151 million pursuant to debt relief arrangements concluded by the Government of Canada.*

[5] *Includes payments of $32 million (which were actually received in 1994) pursuant to debt relief arrangements.*

Minimize Risk. Export with *Confidence.*

It takes confidence to go where your business has never been before: Confidence in the knowledge that your business is secure.

At EDC (Export Development Corporation) we know that it can be risky to compete in the global marketplace. EDC's risk management services – including insurance, financing and guarantees – help you minimize that risk and export with confidence. The service is fast, personal and tailored to meet the needs of individual exporters.

EDC is committed to building long-term relationships with its customers and partners at home and abroad. We support the export growth of small- and medium-sized enterprises. Strengthening the competitiveness of all Canadian exporters helps create and sustain jobs and growth in every region of Canada, and every sector of the economy.

EDC is a self-sustaining Crown corporation that is governed by a board of directors composed of representatives from both the private and public sectors. It reports to the Canadian Parliament through the Minister for International Trade.

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Chairman and President's Message

The Export Development Corporation had a very successful year in 1995, recording a 48 percent increase in its volume of business while adding substantially to its capital base.

Another record year

EDC served a record 2,462 Canadian exporters, approximately 85 percent of which were small- and medium-sized enterprises. EDC's sharp increase in business volume reflects Canada's export boom in recent years, but it also reflects the Corporation's determination to expand its services for the benefit of Canadian exporters. In 1995, Canadian exports grew by 15 percent, following a record year in 1994. Very importantly, this growth in exports has meant trade diversification as well; while shipments to the United States increased by 12 percent in 1995, shipments to Latin America increased by 24 percent, to Japan by 27 percent, to the European Union by 37 percent, to China by 39 percent and to other countries in the Asia Pacific region by more than 40 percent. Exports now account for more than a third of gross domestic product and for approximately a quarter of total jobs. Canada's trade goals are being realized. An increasing number of small- and medium-sized firms are participating successfully in export markets and firms of all sizes are reaching beyond the U.S. market to pursue overseas trade opportunities.

Room for growth

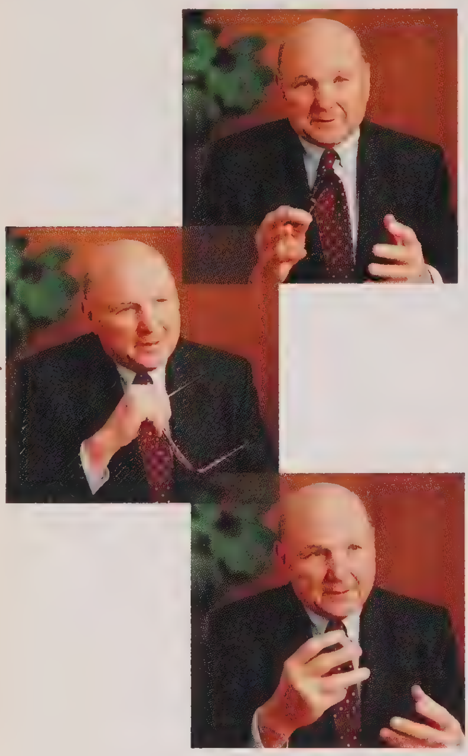
While EDC's total volume of export insurance and financing was over $17 billion in 1995, total Canadian exports exceeded $250 billion. Clearly, despite almost tripling its volume of business since 1991, EDC's role is still relatively small. A good deal of Canadian export trade, especially with the United States, is intra-firm trade which by definition does not require EDC support. Nonetheless, with globalization and the huge increase in export opportunities worldwide, there is much more scope for EDC to contribute to the expansion of Canadian exports. In particular, we are helping Canadian exporters to break into emerging markets. Asian and Eastern European markets, for example, entail greater commercial and political risk than trade with the United States, the European Union or Japan. Of some 200 countries considered open for trade, EDC does business with 119 – of which 89 are considered to be in the higher risk

category. Approximately 25 percent of EDC's total business by dollar volume is accounted for by exports to this latter group of countries, and 60 percent of EDC's customers are involved in trade with emerging markets. During the past year, EDC expanded its operations to cover Estonia, Latvia, Zimbabwe and a number of other higher risk countries.

Presence today, presence tomorrow

The recent success of Canadian exporters in developing a stronger presence in non-traditional markets is critical to longer-term competitiveness. Presence today is not a guarantee of presence tomorrow, but it is increasingly the case that lack of presence today will result in being shut out tomorrow. Capital projects, for example, often involve options for extensions over longer periods; early export winners have opportunities to secure lasting footholds in these markets, and to generate opportunities for Canadian suppliers. Creating a presence in emerging markets, or even traditional markets, is especially challenging for small- and medium-sized Canadian firms. Even though the number of small- and medium-sized firms using EDC rose by 45 percent over the past five years, and the dollar value of their exports increased more than 50 percent in 1995, most Canadian trade is accounted for by a relatively small number of large exporters. To help small- and medium-sized firms become more prominent in export trade, EDC has formed a new team dedicated to their needs. It is staffed by experienced underwriters able to issue credit insurance policies on the spot, and during its first nine months of operation it issued more than 450 policies, supporting almost $500 million in exports by SMEs. EDC has also taken steps to give small- and medium-sized exporters better access – in partnership with domestic banks – to the working capital and medium-term financing that is often critical to their success.

> *"The number of small- and medium-sized firms using EDC services rose by 45 percent over the past five years, and the dollar value of their exports increased more than 50 percent in 1995."*
>
> **Paul Labbé, President and Chief Executive Officer**



Risk management

EDC's mandate is to help Canadian business compete and succeed in the global marketplace. It does this mainly by providing insurance, financing and guarantees to exporters across Canada and their customers around the world. However, these services must be managed with great care – both from the point of view of helping Canadian exporters avoid difficulties, and ensuring that EDC maintains its financial capacity to support double-digit export growth. The growth in commercial lending and limited-recourse project finance is fundamentally reshaping EDC's loan portfolio. In 1995, almost 90 percent of EDC's financing business was concluded on a commercial basis, up from 74 percent a year ago. As recently as 1991, sovereign loans (i.e., loans backed by governments) accounted for 85 percent of EDC's loan portfolio; by 1995, the sovereign share had fallen to 67 percent. In addition to the shift from sovereign to commercial loans, the complexity, scale and duration of financing are changing, and thereby changing the risks associated with insuring and financing Canadian exports. To reinforce its capacity to manage these changing risks, EDC has established a new Risk Management Office and procedures for evaluating loan portfolios on an industry, geographic, and individual transaction basis. Our goal is to help absorb risk on behalf of Canadian exporters, beyond what is possible by other financial intermediaries, by diversifying the Corporation's business both on a country and sectoral basis. We are determined to achieve this goal through growth in both emerging and established markets. In 1995, approximately two-thirds of EDC's financing and insurance activities involved exports to European and North American markets, putting EDC in the mainstream of the export business. As noted earlier, though, approximately 25 percent of EDC's total transactions are with emerging markets, and EDC's business volume on their behalf increased by 57 percent in 1995 – well above the increase in total business.

> *"Representatives of the Canadian business community feel that EDC is performing a vital role and doing it well."*
>
> **Alexander K. Stuart, Chairman of the Board of Directors**

New financing requirements

In this fast changing world there is no room for complacency or self-congratulation. Export credit agencies around the world are having to adapt to new trade and business developments, particularly the growing demand for structured finance. Trade deals increasingly depend on complex and tightly negotiated finance arrangements, where a few basis points in interest rates – or other key considerations – may make or break the deal. Exporters are having to bid not just on the basis of the quality and price of their goods and services, but also on the basis of the financial package supporting the sale. As a result of the combined pressures of globalization, deregulation, privatization and greatly increased capital mobility, the competition for export sales and overseas projects has intensified considerably. In the case of capital-intensive industries, customers have squeezed producers to cut costs and absorb the developmental investment. Further, the exporter is often called upon by the customer to carry part of the financing cost of the purchase. It is vitally important that EDC and other financial institutions help marshal the necessary capital, both to secure the export sale and to ensure that export financing does not come at the expense of product development. Overseas projects compound the financing squeeze. Heavily indebted governments, in both developed and developing countries, are relying more and more on the private sector to construct and sometimes operate power facilities, ports, mass-transit systems and other forms of infrastructure without sovereign backing. The risks of financial participation in these projects are far more complex than those faced by EDC just a few years ago. EDC is endeavouring to help Canadian exporters meet these growing financial pressures by partnering with banks and other financial institutions on the exporters' behalf. We have also established a special project finance team which last year supported projects in, for example, Colombia and the Philippines. Notwithstanding these efforts, a fully satisfactory solution has yet to be found.

Exinvest Inc.: an example of partnership

As a result of the expansion of its mandate in 1993, EDC is able to support its customers with a unique combination of debt, equity and insurance instruments. Exinvest Inc., a new subsidiary holding company established in 1995, reflects the Corporation's expanded mandate for equity financing to leverage private capital and increase export support. Its first investment is Canadair RJ Capital Inc., a 50-50 joint venture with Bombardier used specifically to finance the export of

regional jets. There are a number of other sectors where this type of partnership would be highly beneficial in meeting the financial requirements associated with major export sales and overseas projects. Partnership between EDC and the private sector is an effective way to leverage capital, diversify risk, and pool professional management expertise.

Restructuring of EDC

In addition to new teams focused on structured finance and the needs of SMEs, EDC has restructured itself to handle its increasing volume of business and the growing complexity and risk of export financing. To accelerate the decision-making process concerning credit and insurance support for Canadian exporters, and to ensure greater consistency of service, the Corporation has in effect created a one-stop shopping policy for its customers. Nine specialized customer teams now focus on major sectors of the economy, providing their customers with rapid, complete and cost-effective solutions. Product and country centres of expertise complement these customer teams, by providing in-depth support and intelligence on developments and risk factors in foreign markets. As mentioned earlier, a new risk management team has been formed to independently assess the financial support recommended by the customer teams for large transactions, and to help formulate a policy framework and standards for application to all credit and insurance transactions of the Corporation. EDC has also restructured itself with respect to information technology. New automated credit analysis systems allow both a greater volume of business and a dramatic shortening of the credit insurance approval process – to an average of under 2.5 days.

Hats off to the staff

EDC staff members are responsible for the success of the Corporation, and our message would be very incomplete unless special words of appreciation and recognition were given to them. Statistics tell part of the story about the skill and commitment of EDC staff. Productivity, as measured by business volume per dollar of administrative expense, increased by almost 30 percent in 1995. Further, the Customer Satisfaction Index, which reflects customer ratings of the professionalism, speed, dependability, and financial support of the Corporation, was 8.5 out of 10. Other statistics also testify to the commitment of the staff. Most employees have had no increase in salary or other form of compensation since 1991. Nor have staff levels increased much (10 percent) since 1991, even

though the volume of business has nearly tripled. The real story of EDC's staff, however, goes well beyond what statistics can tell. As illustrated by testimonials included in the report which follows, representatives of the Canadian business community feel that EDC is performing a vital role and doing it well. This is a rare compliment in an era of skepticism about the public sector and the inclination in particular by separatists and free market extremists to question the value of federal activities. Quite obviously for those familiar with global business realities, the central government must support the export sector; EDC – thanks to its staff and the mandate accorded them by the federal government – is proving highly effective in supporting Canadian exports. EDC is fortunate to be served by an active and energetic Board of Directors. During 1995 new board members were Pierre MacDonald, President and Chief Executive Officer, MacD Consult Inc.; Thomas A. Bernes, G-7 Deputy for Canada and Assistant Deputy Minister, Department of Finance; and Robert G. Wright, Deputy Minister for International Trade. We also wish to recognize the contributions of directors that retired from the board – Nairn Knott, Louise Fréchette, and R. Allen Kilpatrick.

1996 and onwards

It will be hard to maintain the pace of 1995 and earlier, but EDC has a lot of growing to do before it begins to satisfy the seemingly endless appetite of Canadian exporters for financial support and advice. However, EDC cannot nor should not strive to be the solution for all the challenges faced by Canadian exporters. EDC complements the banks and other financial intermediaries, but cannot substitute for them. The business world is rapidly changing and EDC must change with it. Other financial intermediaries – including the banks – must also adapt to these changes. Indeed, it may be that new financial intermediaries are needed in Canada, to ensure that the rapidly growing demands for structured finance are met. For its part, EDC will continue to partner with business and financial intermediaries in the most effective manner possible, with the objective of helping Canadian exporters of all sizes – large, medium and small.

Alexander K. Stuart
Chairman of the Board of Directors

Paul Labbé
President and Chief Executive Officer

Don Curtis
Vice-President, Market Management

"Understanding local markets can make the difference between prospecting and closing. EDC's country specialists have a wealth of knowledge to share."

Rolfe Cooke
Vice-President, Short-Term Financial Services

"Losing a sale can be tough. But not getting paid after making a sale can break you. That's where EDC fits in."

A. Ian Gillespie
Senior Vice-President, Risk Management and Corporate Performance

"You can't take risk unless you first understand it. We're in a position to help exporters do both."

Roger Pruneau
Executive Vice-President and Chief Financial Officer

"EDC's financial strength enhances exporters' competitiveness."

Gilles Ross
Senior Vice-President, Legal Services and Secretary

"Knowing where both parties stand is a key feature in solid customer relationships. Our job is to spell it out for our customers, in clear language."

Eric Siegel
Senior Vice-President, Medium- and Long-Term Financial Services

"EDC now offers more continuity in our customer relationships, and focuses on providing tailored risk management solutions."

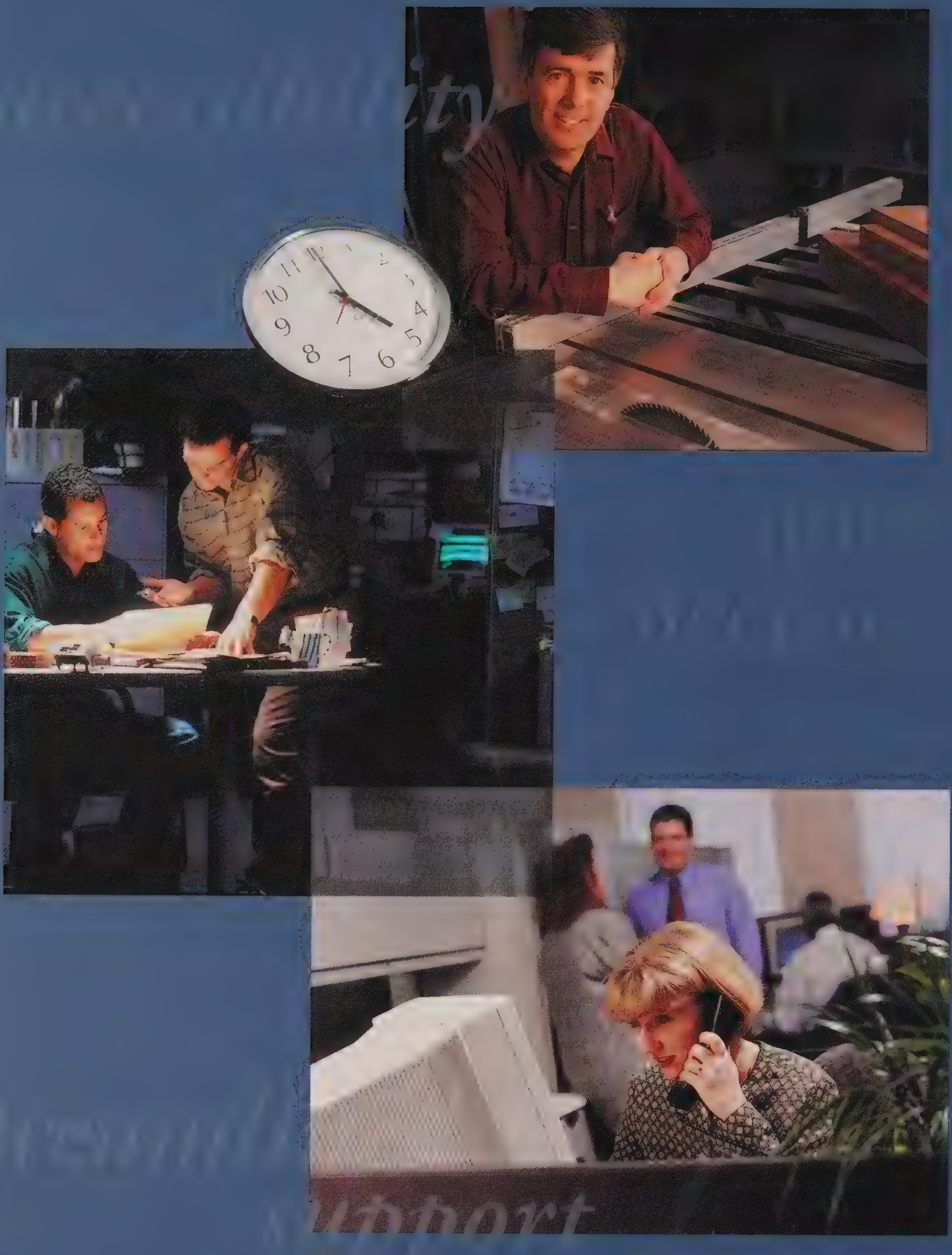
Forging Customer Relationships

Canada is in the midst of an unprecedented export boom. EDC is making big changes to keep pace.

Based on extensive customer research and a drive for continuous improvement, EDC has restructured its management, formed nine new customer teams around key economic sectors, and redefined its supporting centres of expertise. The new structure is designed to give customers convenient, one-stop shopping and continuity in their relationships with EDC staff. It also encourages faster service, better internal co-ordination and higher productivity. While customers have long recognized EDC's strong foreign-market expertise, they have also asked that we develop a more thorough understanding of their industry sectors and the competitive challenges they face. The sector-based teams, backed by new product and country centres of expertise, are designed to do just that. The teams also have greater autonomy to generate financial solutions for customers in all sectors, and to make quicker decisions than in the past. This translates into streamlined service and customized support where necessary to meet specific customer needs. Finally, a more in-depth understanding of each sector enhances EDC's knowledge of the factors bearing on credit decisions. Combined with a new risk management team and automated credit analysis systems, this considerably stretches EDC's capacity for risk.

New channels

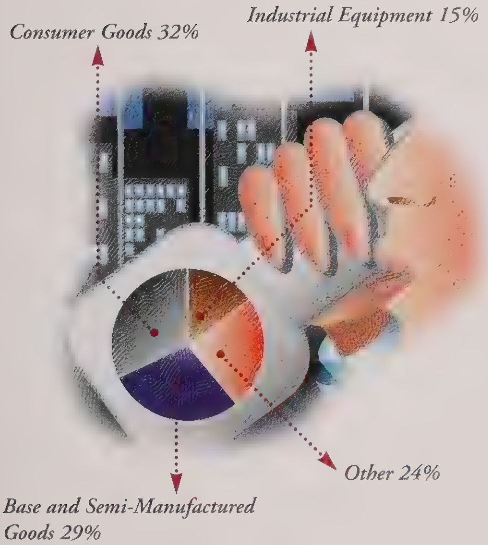
In addition to implementing a new structure, EDC is continuing to develop and sharpen the tools necessary to build and strengthen customer relationships. Rapid communication channels, such as a 1-800 number and an interactive Web site on the Internet, make it easier for both customers and potential customers to find out more about EDC's various products and services. The "Let's Talk Risk" Workshops continue to provide a unique forum for information exchange, strengthening relationships between customers, exporters, EDC's country risk analysts and regional business development managers. An ongoing program of customer research produces the customer satisfaction index by which we measure our success. In short, EDC is well positioned to build a better future for our customers.



On Call for Small Business

EDC's Emerging Exporters Team delivers fast, simple financial services for smaller exporters – businesses with annual export sales up to $1 million.

In 1995, more than 50 percent of EDC's customers, from all sectors of the economy, were served by the Emerging Exporters Team. ☎ The relationship that the 16 team members have with their customers is built around the unique needs of smaller exporters. Customer research indicates smaller exporters want service that is fast, simple and accessible. A streamlined application and transaction process, 1-800 number, rapid fax-back communications, and dedicated staff have combined to address these needs.



Call 1-800-850-9626

Exporters can call 1-800-850-9626 from anywhere in Canada, from 9:00 a.m. to 5:00 p.m. *their* time, and reach a specialist who can make decisions on the spot. In 1995, an average of 90 callers per day took advantage of this service, and the number is growing. ☎ The team processes insurance applications, pre-qualifies transactions for Line of Credit financing, issues insurance policies, and approves foreign buyers – all by phone, and often in as little as 15 minutes. If the team can't find a solution from among EDC's export credit services, whenever possible it will refer the company to an organization that can.

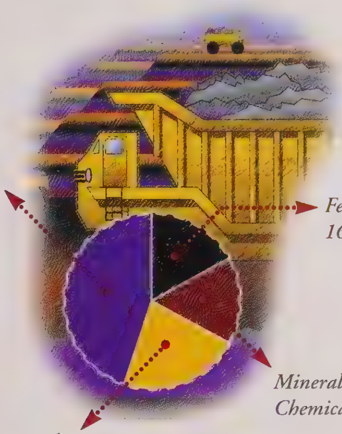
> *"With the support of EDC, Excalibur Machine & Tool Co. has been able to arrange bank financing of accounts receivables, growing its U.S. customer base to more than 60 percent of annual sales."*
> **Philip Humfrey, President, Excalibur Machine & Tool Co., Scarborough, ON**


34

Resources to Meet Exporter Needs

Base and semi-manufactured goods represent a key export sector for Canada. In 1995, EDC supported almost $3.5 billion worth of base and semi-manufactured goods exports.

Chemicals, ores and minerals, coal and petroleum products, oil and gas extraction and refining, building materials, textiles, plastics and rubber are part of this sector. Among the nine risk management specialists on EDC's Base and Semi-Manufactured Goods Team are four financial services managers who concentrate on key subsectors. In 1995, base and semi-manufactured goods exports accounted for 20 percent of EDC's business volume and more than eight percent of its total customer base. Small- and medium-sized enterprises comprised 55 percent of the team's customer base. Short-term insurance, EDC's primary form of support to exporters in this sector, totaled almost 80 percent of business volume in 1995. Also significant was foreign investment insurance.



Metals dominated

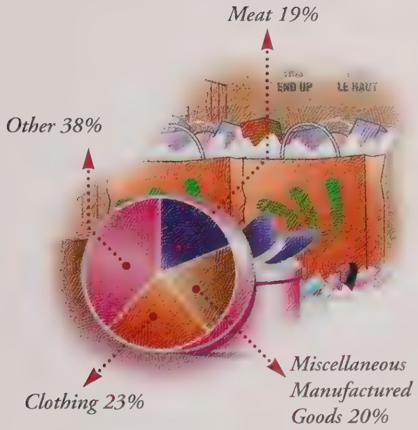
The annual compound growth rate for base and semi-manufactured goods is forecast at nearly nine percent to the year 2000. Metals dominated EDC's 1995 business volume in this sector, accounting for 45 percent; while fertilizers, chemicals and minerals represented 16, 9 and 8 percent, respectively. The United States is the primary export market for Canadian goods supported by EDC in this sector, absorbing 40 percent in 1995. However, the percentage of exports going to other markets is growing. In 1995, Latin America accounted for 23 percent, while other industrialized countries (excluding the United States) totaled 22 percent.

> *"EDC is adding strength to StyroChem's export activities by providing insurance on sales payments."*
>
> **Pierrette Morissette, Manager, Finance and Administration, StyroChem International, Ltd., Baie d'Urfé, PQ**

A Consuming Passion for Exports

EDC's Consumer Goods Team supported more than $1.8 billion in exports last year, and in 1996 plans to increase the number of customers it supports by 15 percent.

Household goods, agri-food and retail products are key exports handled by the eight insurance specialists on EDC's Consumer Goods Team. In 1995, 11 percent of EDC's total business volume was in support of consumer goods exports, and the sector represented 12 percent of EDC's customer base. Small- and medium-sized enterprises comprised 72 percent of the Consumer Goods Team's customers. Short-term credit insurance is the primary form of financial support provided to exporters in this sector, and accounted for 92 percent of the team's business volume in 1995. Insurance demand continues to increase as slower economic growth and higher bankruptcy rates soften major consumer goods export markets.



Export markets

The United States is EDC's largest export market in this sector, absorbing 67 percent of consumer goods exports supported by EDC in 1995. Other industrialized countries accounted for almost 14 percent of exports supported in this sector. The consumer and household goods sector is characterized by highly-processed and value-added goods. In 1995, clothing accounted for 23 percent of the Consumer Goods Team's business volume, followed closely by manufactured goods and meat.

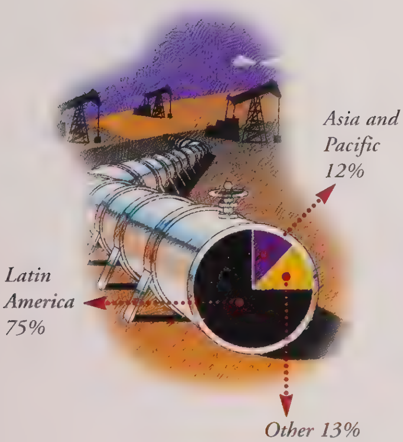
> *"EDC has been instrumental in helping us increase our exports by diversifying and sharing our risk and assisting us with information on new accounts. This has allowed us to do more business than we would have on our own."*
>
> **Michael Wang, President, Standard Knitting Ltd., Winnipeg, MB**


professional

Servicing New Export Markets

Business, professional and educational services represent an estimated 20 percent of world trade, and the Canadian business services sector is forecast to grow at almost 10 percent annually to the year 2000.

The special challenges faced by services exporters are the responsibility of EDC's Engineering and Professional Services Team. In 1995, EDC supported more than one billion dollars in business services exports. With 29 risk management specialists, the team delivers a full range of products, resulting in both better service and a deeper understanding of the market dynamics and challenges facing its small and large customers. The sector includes energy services, light and heavy industrial construction, engineering, trade contracting, transportation services, and scientific and technical services. In 1995, EDC's business volume in this sector was driven by medium-term insurance, export financing and foreign investment insurance.



SMEs well supported

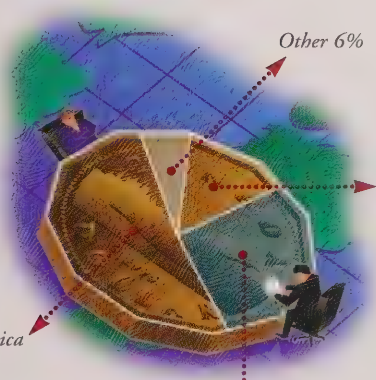
Small- and medium-sized enterprises were well supported by the Engineering and Professional Services Team in 1995 – primarily through the medium-term insurance program – accounting for 58 percent of the team's customer base. Foreign investment insurance was another important program for the team's customers, particularly for power, oil and gas companies. Latin America and Asia were key export markets for EDC's Engineering and Professional Services Team, accounting for 87 percent of volume in 1995.

> *"All international projects bring their unique spectrum of risks which are either undertaken or mitigated by the sponsors. In most cases, such as TransCanada's investments in Colombia, we can substantially offset the political risks with insurance coverage from EDC."*
>
> **Marcel Couteau, Vice-President, Finance, TransCanada PipeLines Limited, Calgary, AB**

Support Customers Can Bank On

The Financial Institutions Team works with Canadian and foreign financial intermediaries to support short-term export sales using letters of credit.

While the Financial Institutions Team is not industry specific, bulk agricultural commodities accounted for 82 percent of its insured volume in 1995. Grains, oil seeds and dairy products are the primary commodities insured by the seven-member team. It also handles a range of other non-bulk agricultural commodities, such as coal and potash, plus a diverse range of other exports, including industrial and communication-related equipment. $ Turnaround time is a priority for the team. Its financial services managers are equipped to help exporters in a competitive bid situation, often providing same-day response to inquiries received from exporters' banks. $ In addition to managing and underwriting policy accounts, the team's financial services managers monitor foreign banking sector developments in geographic and specific country markets. Close monitoring of foreign markets enables the team to take educated risks in markets where financial institutions may have a limited risk appetite. For example, EDC recently made short-term coverage available in Russia for transactions with selected Russian banks.



Assessment and analysis

EDC's other business sector teams rely on the Financial Institutions Team for its assessment and analysis of the creditworthiness of foreign banks for short-term insurance transactions. $ The team supported more than $700 million in business volume in 1995. Key markets included Latin America and the Middle East, accounting for 52 percent and 30 percent of business volume, respectively.

> *"By addressing the needs of both exporters and foreign buyers, EDC has helped Canadian exporters successfully meet competition from other exporting countries."*
>
> **Ken Matchett, Chairman, Canadian Exporters' Association and Chief Executive Officer, XCAN Grain Pool Ltd., Winnipeg, MB**

Grain photo: Canadian International Grains Institute

customization

dramatic
growth

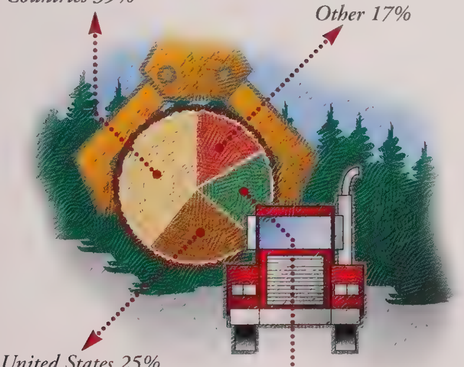
global market

1-613-598-2936

Firmly Rooted in the Global Market

With a 17 percent share of the global market, Canada is the world's largest exporter of forestry products – and the world market for forestry products is exploding.

Indeed, annual industry growth was a remarkable 32 percent in 1995, and is expected to grow faster than the overall world trade market during the next four years. In 1995, EDC supported more than $5 billion worth of forestry exports, which accounted for 30 percent of EDC's total business volume. The nine short-term financial specialists on EDC's Forestry Team focus on product customization and competitive pricing. Included in the forestry sector are lumber, millwork, windows, doors, paper and paper-based products, pulp and packaging. Lumber, pulp and paper dominated EDC's forestry sector volume in 1995, accounting for 36 percent, 34 percent and 28 percent, respectively.

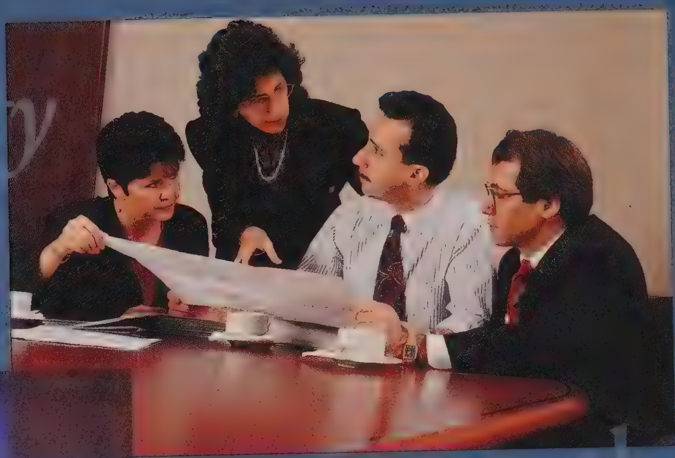


Lumber exporters

Of the team's customer base, 55 percent consisted of small- and medium-sized enterprises. EDC is aiming to increase its support to smaller exporters pursuing sales in the United States. More than 60 percent of Canadian lumber is now exported to that market. In terms of country markets, 25 percent of forestry exports supported by EDC were destined for the United States, 19 percent went to Japan, 11 percent went to Latin America, and 39 percent to other industrialized countries.

> *"Working with EDC has been invaluable to our organization. All of our questions and concerns are answered quickly without causing delays in our shipments. We couldn't imagine doing business today without the assistance of EDC."*
>
> **Ross Staples, President, Madawaska Hardwood Flooring Inc., Renfrew, ON, and past President of the Canadian Lumbermen's Association**

diversity



growth

opportunities

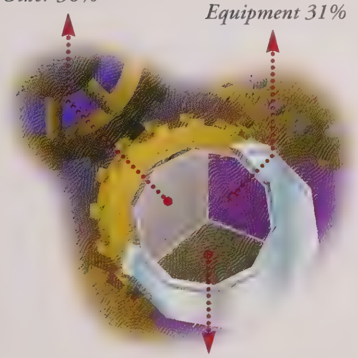
partnerships...

1-613-598-3163

Equipped to Meet Export Challenges

The Industrial Equipment Team addresses one of Canada's most diverse business sectors, spanning a range of products from small electrical components to large, capital goods machinery.

Serving customers in all regions of Canada, EDC's Industrial Equipment Team of 28 risk management specialists has a diversified customer base. In 1995, 73 percent of the team's customers were small- and medium-sized enterprises. Of the team's $756 million in business volume in 1995, power generation and oil and gas equipment represented one third; construction and resource equipment represented another third, while the remaining volume was generated by other subsectors. Short-term insurance led the team's activities in 1995, while medium- and long-term risk management services represented about 40 percent of business volume.

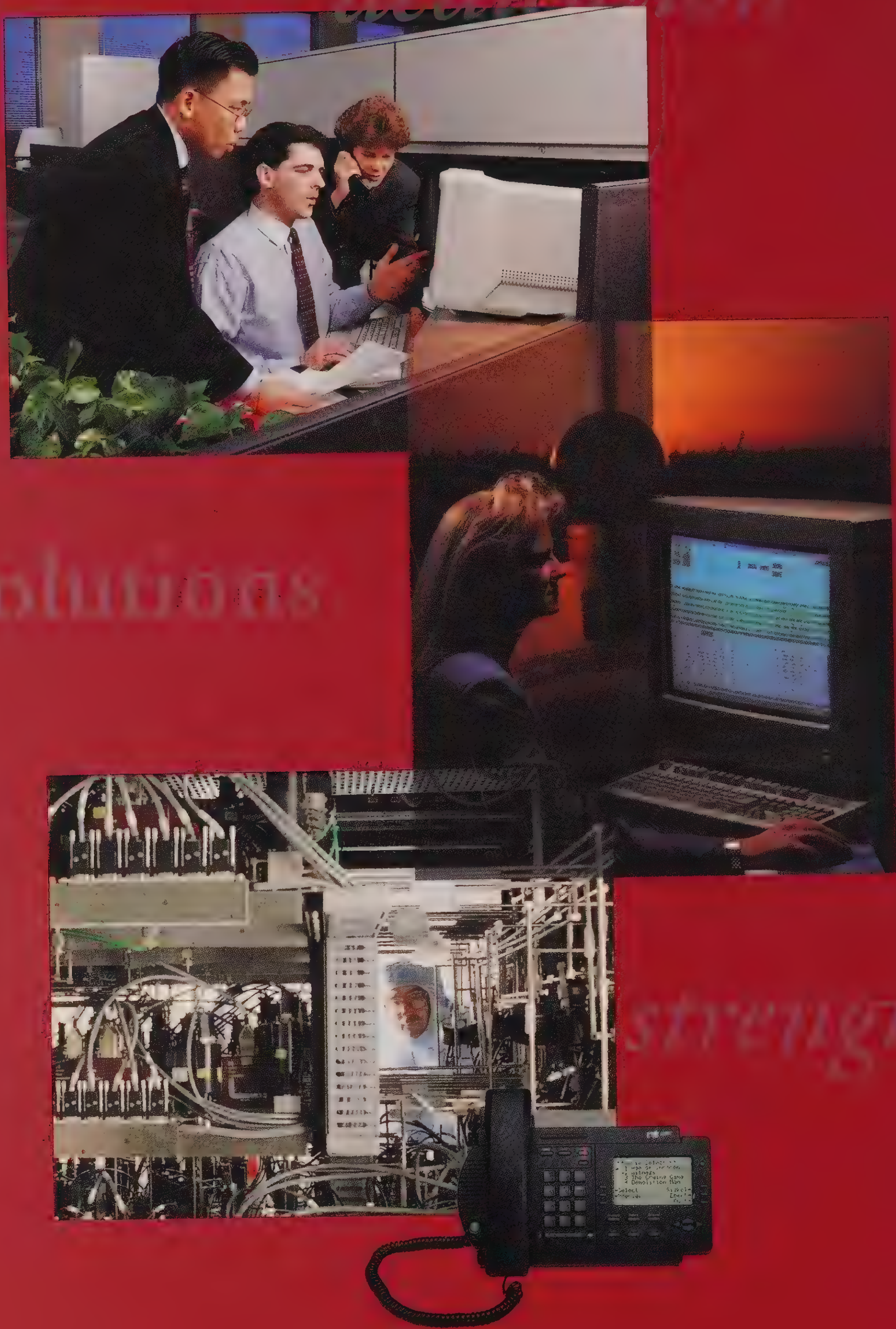


Focus on markets

Growth opportunities exist in a number of sectors, particularly power generation where demand for project or limited-recourse financing will grow as a result of increased participation by the private sector in infrastructure projects. The focus will be on markets outside North America, where opportunity for growth remains strong. Industrial equipment exports supported by EDC in 1995 remained concentrated in the United States, which accounted for 46 percent. Significant volumes were also realized in Latin America and Asia Pacific. EDC partnerships with specialized financial providers, like Northstar Trade Finance Inc., also assisted Canadian exporters in sourcing additional working capital financing.

> *"There are deals that we simply would not have been able to close without the backing of EDC. EDC insurance and line of credit financing have allowed us to finalize contracts and provide jobs for Canadians."*
>
> **Albert Bohemier, President, Survival Systems, Dartmouth, NS**

dedication



solutions

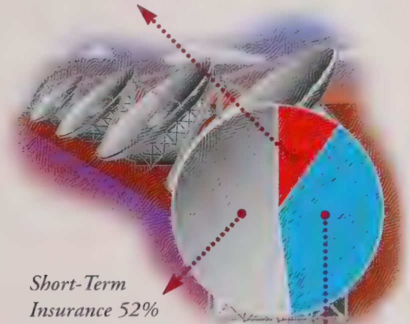
strength

1-613-598-6891

Building a Network of Opportunities

With projected annual growth of 9.2 percent, information technology is one of the world's fastest growing and most dynamic industrial sectors.

In 1995, EDC established a team of 29 risk management specialists dedicated to this critical market sector. The team specializes in providing customized financial and risk management solutions in support of the Canadian information technology (IT) sector, which includes telecommunications equipment and services, advanced electronics and instrumentation, computer equipment, software and services, and consumer electronics. EDC supported $2.2 billion of Canadian IT exports in 1995, a 46 percent increase over the previous year. The team's customers use all of EDC's products to meet their diverse requirements, with 52 percent of the total business supported by short-term insurance, 38 percent by medium-term insurance and export financing, and 10 percent by foreign investment insurance.



Significant growth

The Information Technologies Team's customer base accounted for seven percent of EDC's total customers in 1995. Small- and medium-sized enterprises constituted 67 percent of the team's total customer base. Significant growth opportunities exist in the area of computer hardware and software, networking and related products and services, and the wireless industry. By the year 2000, global IT revenues are expected to exceed $3.2 trillion and account for nearly $1 of every $6 of global GNP. The team is committed to helping Canadian exporters capitalize on these tremendous opportunities through strategic partnering and financial solutions that meet their global requirements.

> *"Prosperity at home depends on the competitiveness of Canadian firms internationally, and our international competitiveness depends largely on support from organizations like EDC."*
>
> **Russell Frederick, Vice-President, Finance and Administration, PRIOR Data Sciences Ltd., Kanata, ON**

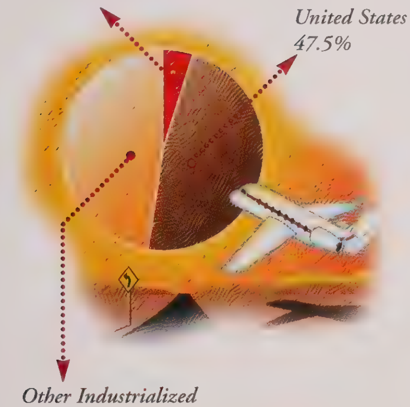
industrialized
markets

privatization

Going the Distance for Exporters

Representing almost 30 percent of total Canadian merchandise and services trade, the transportation sector is not only Canada's largest manufacturing sector, but also one of the largest in the world economy.

Export goods supported by the Transportation Team's 30 risk management specialists include aircraft and parts, motor vehicles and parts, shipbuilding and repair, railroad rolling-stock and other transportation equipment. ✈ The United States is the most important market for Canadian transportation exporters, accounting for almost 48 percent of exports supported by EDC in 1995. ✈ The transportation sector's contribution to 1995 business volume totaled a significant $1.7 billion. Of the team's customer base, 47 percent were small- and medium-sized enterprises. ✈ Aircraft and related parts dominated the Transportation Team's business volume in 1995, accounting for 76 percent. Equipment financing in particular has been a critical requirement for the airline industry as it restructures and privatizes its operations.



BOOT developments

Development of the global rail sector is increasingly characterized by new privatization initiatives, especially BOOT (build, own, operate, transfer) developments, which often require EDC's medium- and long-term risk management services. ✈ The need for medium- and long-term financial services continues to grow. In 1995, this product group accounted for three quarters of the team's business volume. The remaining transportation business volume in 1995 was supported by short-term insurance.

> *"We have found EDC to be very aggressive in its support of Canadian exports. Some of our sales would not have been possible without the outstanding support we've received from EDC."*
> **Wayne Hester, Manager, Credit and Finance, Bell Helicopter Textron, Ottawa, ON**

A wide network of areas of expertise is critical to the effectiveness of EDC, complementing the activities of customer teams. Some of these include:

Contract Insurance and Bonding

Corporate Finance and Control

Credit Surveillance and Analysis

Government Relations

Human Resources

Industrial Advisory Services

Information Systems

International Relations

Project Finance and Equity

Risk Management Office

Corporate Building Blocks

Behind each customer team is a support network, housed within EDC's centres of expertise. These centres are the source of in-depth knowledge, research, analysis and a range of skills upon which the customer teams draw to build and enhance customer relationships.

Well known for its country analysis, EDC has placed additional emphasis on this value-added service with the creation of the **Country Centre of Expertise**. This group develops country strategies; establishes and manages multi-sector and foreign government relationships; represents EDC in country-based fora; and, working with the customer teams, identifies new business opportunities in key strategic markets. Complementing the Country Centre of Expertise is **Economics**, which undertakes country risk analysis and continually scans the export environment at the macroeconomic level. Economics advises exporters of the risks and opportunities that arise in the global market and regularly shares its country analysis through the "Let's Talk Risk" Workshops held twice a year in cities across Canada. Underpinning all of our partnerships with customers is **Legal Services**. EDC's legal specialists provide sector team members with advice on the structuring of EDC's financial services to support export transactions, as well as drafting services to clearly define the relationship between the teams and their customers in the context of their transactions.

SME Support

In support of small- and medium-sized enterprises (SMEs), EDC formed **SME Services** which focuses on exporters with sales of less than $25 million, across all sectors. SME Services works with all of EDC's customer teams to identify and develop new product concepts and streamline existing products. Initiatives to date include EDC's Master Accounts Receivable Guarantee (MARG) program, the Smaller Exporters' Guarantee Framework, and a medium-term financing arrangement with Northstar Trade Finance Inc.

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EXPORT ENVIRONMENT

A weaker export environment over the coming year is expected to slow export growth to a rate below the 11.5 percent average annual growth registered over the 1990 to 1995 period. For EDC to maintain its strong growth in business volume, market share will have to be increased as the underlying natural growth in exports slows.

Softening demand in the key U.S. market is the main factor in this slower growth outlook. In addition, both Western European and Japanese markets have yet to return to full potential following their recent recessions. Emerging Asia remains the strongest market in terms of growth potential, while the recent mini-debt crisis in Latin America has delayed by a year or so the improved growth expected from this region. Global competition will require Canadian exporters to redouble their efforts at improving their relative cost competitiveness. The continued fight against trade restrictions will need to be focused on non-tariff barriers as their use increases over the next decade.

The U.S. will remain Canada's largest export market, increasing its share to 82 percent of total exports. In terms of EDC's business, the U.S. – though still our primary market – represents a much smaller 40 percent share of our activity. After managing a soft landing from the current strong growth, the U.S. economy is expected to enter a slower growth phase with the possibility of a recession in the latter half of 1996. Past improvements in Canada's relative cost competitiveness, fueled by declining exchange rate and unit labour costs, will be harder to come by in 1996. This will make improved market access, a key factor in recent export growth, all the more important.

Western Europe holds fast as both Canada's, and EDC's, second largest market despite losing some importance during the recent European recession. Strong commodity prices over the past year, particularly for forestry products, have boosted the value of Canadian exports to this region. Currently, just over six percent of Canadian exports are destined for Western Europe, down from 10 percent in 1990. Exports to the region are expected to improve on the three percent average annual growth registered over the 1990 to 1995 period. However, moderation in the prices of some key export commodities, notably forestry products, and the recent weakness in the key German and French economies, have dimmed near-term export prospects.

Japan continues as Canada's third largest market. Traditionally, five to six and a half percent of our exports have gone to Japan, but since 1990, this share has softened to four and a half percent. The persistent malaise in the Japanese economy over the past two years has contributed to this decline. As with Western Europe, moderation in the prices of some key export commodities will play an important role in the growth of exports to Japan over the coming year. The slow recovery now being seen in the Japanese economy will help counter these effects.

The emerging Asian economies, our fourth largest market, continue along a strong growth path, providing a market of increasing demand for our exports. This bodes well for EDC, since close to 11 percent of our business is with Asia. Exports are expected to surge ahead over the 1996 to 2000 period, a testament to the increased efforts of Canadian exporters to gain a foothold in this region.

Latin America stands as Canada's fifth largest export market. While recent problems in the key markets of the larger economies of Mexico, Brazil, and Argentina are adding to the risks in this region, some very positive structural reforms are continuing. This is good news for EDC, since more than 13 percent of our business is derived from Latin American markets. An increased demand for Canadian products is expected as key agreements on trade liberalization in Latin America provide new export possibilities.

PERFORMANCE AGAINST OBJECTIVES

EDC's vision is to be the best in the world at providing the highest quality financial services to our customers. Our progress towards achieving this vision is tracked by way of a number of performance measures, some of which are described below. A comparison of the 1995 results against 1995 targets is provided, as well as our 1996 targets.

CUSTOMER SATISFACTION

In 1993, EDC began conducting an annual survey of its customers to assess their level of satisfaction with a number of service attributes and product features. A component of that survey is the Customer Satisfaction Index (CSI), which rates our customers' overall satisfaction with EDC as well as their likelihood of recommending EDC to their business associates.

EDC achieved a composite score of 8.5 out of 10 last year, against a target of 8.6. A score of 8.3 had been achieved in the previous two years. We believe that annual improvements to the CSI will only come gradually, since our customers' expectations continue to grow over time and the impact of EDC's actions will take time to translate into a higher CSI score. The target for 1996 remains at 8.6.

A second measure derived from the annual customer survey is a composite of scores given with respect to a number of employee attributes that address employee effectiveness as seen by our customers. After achieving a score of 4.1 out of 5 in both 1993 and 1994, a slightly higher score of 4.2 was recorded in 1995 against a target of 4.3. The 1996 target for this measure remains at 4.3 out of 5.

CUSTOMERS SERVED

Because of the importance attached by EDC to retaining and increasing its customer base, a target of 2,250 customers was set for 1995, an increase of 5 percent over 1994. In 1995, EDC provided services directly to 2,462 customers, a 15 percent increase over 1994. Of those, 2,041 or 83 percent were small- and medium-sized enterprises. An operational target of 2,900 customers served is set for 1996.

BUSINESS VOLUME

Volume of business conducted during the year is an important measure of how well EDC is meeting the needs of our customers. In 1995, EDC's actual business volume of $17.2 billion significantly surpassed the 1995 target of $13.9 billion. In particular, business under EDC's short-term financial programs registered an impressive 60 percent growth over 1994 results. For 1996, EDC has set a business volume target of $20.5 billion.

PRODUCTIVITY

Productivity is measured by the volume of business supported per dollar spent on administration. The actual productivity ratio of $302 in 1995 significantly exceeded the 1995 target of $217. Higher business volume, together with lower administrative expenses than planned, accounted for this increase in the productivity ratio. An operational target of $317 has been set for 1996.

FINANCIAL RESULTS

In a tight fiscal environment, EDC cannot rely exclusively on the Government of Canada to grow the required capital base to sustain its growth. Our goal is to protect the capital base of the company by achieving an annual return on equity (ROE) that is at least equal to the rate of inflation. In 1995, EDC reported net income of $44 million, or 3.8 percent ROE against a target of $77 million, or 6.7 percent ROE. It should be pointed out that the 1995 target of $77 million included a $32 million debt relief payment by the Government of Canada which was actually received in 1994. A net income target of $45 million, or 3.7 percent ROE, has been set for 1996.

OPERATING RESULTS

Net income reported for 1995 was $44 million including $11 million for debt relief arrangements. Net income finished the year $33 million below the 1995 Corporate Plan of $77 million, and significantly below the $171 million profit reported for 1994. However, excluding debt relief revenue, 1995 net income was $33 million, $6 million ahead of the Plan's net income of $27 million, and $13 million above 1994's net income of $20 million.

During 1995, cash provided from operations amounted to $423 million, an increase of $125 million over the 1994 level of $298 million. The significant cash inflow has been reinvested in the Corporation and will provide a firm financial foundation for future operations.

INCOME STATEMENT DISCUSSION

Loan Revenues and Allowances

The following table analyzes loan revenues, fees and the expense for the provision for losses on loans as a percentage of the average loans receivable for 1995 with 1994 comparatives:

($ in millions)	Increase (Decrease)		1995		1994	
	$	%	$	%	$	%
Average Gross Loans Receivable	745		9,906		9,161	
Loans						
Interest earned	195	1.51	748	7.55	553	6.04
Debt relief arrangements	(140)	(1.54)	11	.11	151	1.65
Fees earned	6	.02	57	.58	51	.56
Total loan revenue	61	–	816	8.24	755	8.24
Less: provision for losses on loans	201	1.91	341	3.44	140	1.53
Total loan revenue after provisions	(140)	(1.91)	475	4.80	615	6.71

For 1995, interest revenue of $748 million was $195 million higher than the 1994 level of $553 million. During 1995, the Corporation recognized $748 million of interest revenue comprised of $632 million for performing loans and $116 million for non-performing loans. The performing fixed rate loan portfolio averaged $4.2 billion in 1995 (1994 – $3.8 billion) with an average coupon yield of 8.21% (1994 – 8.50%). The decline in yield is caused by prepayments of high coupon rate loans coupled with disbursements of recently signed loans which carry coupon rates reflective of the current period of lower interest rates. The performing floating rate loan portfolio averaged $3.4 billion in 1995 (1994 – $2.0 billion) with an average coupon rate of 6.93% (1994 – 5.30%). The increase in floating rates is due to the general rise in U.S. dollar LIBOR and Canadian dollar Prime interest rates over the last year. The significant increase in the size of the performing

floating rate loan portfolio is caused by the reclassification of non-performing loans in Poland and Egypt in the last quarter of 1994 to the performing status as well as the reclassification in 1995 of non-performing loans in Argentina ($279 million) and Brazil ($403 million) to performing, and the growth in commercial loans during 1995.

Included as interest revenue is the amortization of non-accrued capitalized interest for loans reclassified as performing from the non-performing category. Non-accrued capitalized interest represents interest capitalized according to rescheduling agreements not recognized as interest revenue when legally earned since the loans were non-performing. Over a number of years, the amount of non-accrued capitalized interest has increased dramatically. Certain sovereign borrowers have been transferred to the performing status due to their excellent repayment record over the last three years. The Corporation has taken the view that once a sovereign borrower has been reinstated to the performing status any outstanding non-accrued capitalized interest will be amortized over the remaining term of the rescheduled loans. This is done because the sovereign borrowers are still below investment grade and the term remaining is quite long. The amortization of non-accrued capitalized interest for performing loans previously classified as non-performing (Poland, Egypt, Argentina and Brazil) was $32 million during 1995 (1994 – $3 million).

Non-performing loans contributed $116 million to interest revenue compared to $79 million for the same period a year earlier. A substantial portion of this revenue is a result of Brazil's payment of non-accrued capitalized interest in the amount of $35 million, which was paid when due in 1995, and accounts for Brazil's large contribution of $65 million.

The 1995 debt relief arrangement revenue of $11 million was significantly lower than 1994's revenue of $151 million. In 1994, debt relief arrangements by the Government of Canada were concluded for Poland and Egypt which explains the large amount recorded as revenue for that year. The amount of $11 million for 1995 represents the ongoing debt relief arrangements mainly for Côte d'Ivoire.

Fee revenue, mainly from exposure fees, was $57 million (1994 – $51 million). Significant prepayments from China of $267 million caused an acceleration of $4 million in fees during 1995.

The Corporation assesses the allowance for losses on loans on an annual basis and determines the appropriate amount necessary to maintain the financial integrity of the Corporation through the evaluation of the carrying value of its loan assets. During 1995, a charge to the provision for losses on loans on the income statement was made for $341 million (1994 – $140 million). Of the $341 million, $150 million was the result of a realignment of the sovereign risk categories to external credit ratings with general provisioning rates in line with commercial rates. Although non-performing loans declined significantly, the net charge for the movement of both non-performing sovereign and commercial loans was approximately $110 million. In addition, the significant growth in the commercial portfolio, mainly in the below investment grade category, increased the allowance by $48 million.

INSURANCE REVENUES AND ALLOWANCES

The following table analyzes insurance revenues, fees and the expense for the provision for claims on insurance as a percentage of insured volumes:

($ in millions)	Increase (Decrease) $	%	1995 $	%	1994 $	%
Short-term program						
Insured volumes	4,880		13,044		8,164	
Premiums and fees earned	21	–	57	.44	36	.44
Medium-term program						
Insured volumes	463		2,051		1,588	
Premiums and fees earned	2	(.11)	17	.83	15	.94
Total insured volumes	5,343		15,095		9,752	
Total premiums and fees earned	23	(.03)	74	.49	51	.52
Less: provision for claims on insurance	9	(.09)	49	.32	40	.41
Total insurance revenue after provisions	14	.06	25	.17	11	.11

The premium rate as a percentage of insured volumes within the medium-term program decreased from the 1994 levels as a result of an improved portfolio in terms of credit risk.

Premium revenue of $74 million finished the year at 45% above the 1994 results. Short-term insurance operations revenues contributed $57 million to 1995 premium revenue, an increase of 58% over 1994 results. This growth can be attributed to a number of factors including: improved customer service, more focused business development efforts, favourable market conditions and continued improvements in the Corporation's systems applications resulting in faster turnaround times for credit approvals.

The medium-term program results finished the year at 13% over the 1994 results. Foreign investment insurance revenue increased by $4 million or 59% over 1994 results. Premium revenues earned in the medium-term Specific and Performance Security programs decreased by 20% and 3% respectively.

INVESTMENT REVENUES

Investment revenues for 1995 were $75 million. This improvement is a result of unrealized gains on securities in the investment portfolio held in the "available for sale" category.

($ in millions)	Increase (Decrease) $	Increase (Decrease) %	1995 $	1994 $
Investment revenue	37	97	75	38

INTEREST EXPENSE

Interest expense increased to $474 million during the year as a result of rising rates during the early part of the year.

($ in millions)	Increase (Decrease) $	Increase (Decrease) %	1995 $	1994 $
Fixed rate payables	(438)	(14)	2,775	3,213
Floating rate payables	380	9	4,827	4,447
Total payables	(58)	(1)	7,602	7,660
Interest expense	37	8	474	437

Administrative Expenses

Net administrative expenses for 1995 totaled $57 million. This represents a 1.8% increase from the prior year, and is 15% below the 1995 Plan. Approximately 90% of EDC's expenditures in this area are composed of four key items: salaries and benefits, accommodations and professional fees. This composition is similar to previous years.

Compared to 1994, rental costs have decreased by 14%. This is a result of the negotiations for the new lease on EDC's head office which took effect on January 1, 1995.

Salaries and benefits increased from the previous year due to staff turnover, as well as a slight increase in the total number of EDC employees.

Professional and consulting fees have decreased from the previous year by $3 million due largely to the completion of restructuring and business process improvement contracts.

Accounts Administered for Canada (Canada Account)

Under the Export Development Act, the Government of Canada is authorized in prescribed circumstances to undertake certain activities of a financial nature to facilitate and develop export trade. In these circumstances, EDC acts as the agent for the Government of Canada in executing the financial transaction. These activities, and the legislative authorities which underlie them, have come to be known collectively as the "Canada Account". These accounts are maintained separately from the Corporation's accounts, and are consolidated annually as at March 31 with the financial statements of the Government of Canada. Following are the financial highlights *for the nine months to December 31, 1995.*

Canada Account business volume for this period was $521 million, of which $34 million was for concessional loans, $126 million was direct consensus terms financing and $361 million pertained to insurance and related guarantees provided.

The Corporation administered total assets of $2,812 million consisting of $2,773 million from the lending program and $39 million from the insurance program. The loan assets were mainly denominated in U.S. dollars (82%) followed by Canadian dollars (17%) and European Currency Units (1%).

Actual disbursements amounted to $380 million, including $331 million for loans signed under consensus terms, $34 million for concessional loans and $15 million for claims paid under the insurance program. Canada Account remitted to the Consolidated Revenue Fund $231 million of which interest and fee revenue totaled $123 million, while the repayment of loan advances amounted to $102 million and recoveries on claims accounted for $6 million.

Canada Account reimbursed the Corporation $13 million for expenses incurred in administering the portfolio. The administrative expense has averaged approximately 22% of the Corporation's total administrative expenses for the past two years.

PORTFOLIO RISK MANAGEMENT

CONCENTRATIONS OF EXPOSURE

The following table reflects the major concentrations of total commercial and sovereign exposure in the country where the ultimate risk resided for all corporate operations at the end of 1995. The following countries accounted for approximately 61% of the Corporation's total exposure.

			Contingent Liabilities				
Market	Gross Loans Receivable	Undisbursed Commitment	Short-Term	Medium-Term	Investment and Off-Balance Sheet Exposure	1995 Exposure	
($ in millions)						$	%
U.S.	893	353	1,173	65	194	2,678	13.5
China	1,153	89	13	122	–	1,377	6.9
Canada	192	149	147	207*	607	1,302	6.5
Mexico	572	86	377	10	–	1,045	5.3
Brazil	405	–	364	3	–	772	3.9
Peru	591	–	12	142	–	745	3.7
U.K.	210	165	117	78	168	738	3.7
Japan	46	–	353	2	269	670	3.4
Venezuela	344	183	28	41	–	596	3.0
Indonesia	327	168	16	57	–	568	2.9
Germany	280	61	155	2	47	545	2.7
Colombia	247	63	15	190	–	515	2.6
France	286	82	135	6	2	511	2.6
Other	4,364	455	1,095	1,289	599	7,802	39.3
Total	$9,910	$1,854	$4,000	$2,214	$1,886	$19,864	100.0

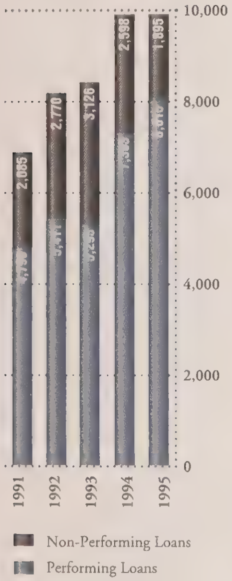
** Includes $204 million of surety bond insurance. Seventy percent of the exports insured in the Surety Bond program were to the United States.*

LOANS PORTFOLIO

Gross Loans Receivable

Gross loans receivable has been reduced by the allowance for losses on loans as well as non-accrued capitalized interest. Non-accrued capitalized interest represents interest legally due to the Corporation which has been rescheduled while loans were classified as non-performing. Since the beginning of the year, loans receivable, net of non-accrued capitalized interest, has increased marginally by $11 million from $8,972 million (which included $359 million due from Canada for debt relief) at the end of 1994 to $8,983 million.

LOAN ASSET QUALITY
($ in millions)



During 1995, loans receivable disbursements of $2,172 million exceeded loans receivable repayments of $2,114 by $58 million. Included in loan repayments are receipts from the Government of Canada of $374 million of principal and capitalized interest for debt relief arrangements and a significant prepayment from China of $267 million for a number of fixed rate loans.

Loan Asset Quality

Performing gross loans receivable increased significantly from $7,303 million at the end of 1994 to $8,015 million at the end of 1995. The increase is due to the significant increase in commercial loans from $2,226 million to $2,899 million. The sovereign performing portfolio grew slightly despite the large repayments from Canada and China, mainly due to the change in status of loans in Argentina ($279 million) and Brazil ($403 million) from non-performing to performing. Non-performing loans, as a percentage of total gross loans receivable, have decreased during 1995 from 26% to 19%. Currently, there are no plans to reclassify any non-performing loans to the performing status in 1996. There were no loans written off in 1995.

Non-Performing Loans

Cash received including both principal and interest from the non-performing portfolio has been constant since 1991, averaging between 3% and 5% of the total portfolio, but increasing to 8.1% in 1995. In 1995, large amounts received from Brazil more than doubled the percentage of receipts to average non-performing gross loans receivable. The cash flow pertains to sovereign creditors and represents to a large extent the long-term efforts of multilateral rescheduling arrangements through the Paris Club.

Cash Flow From Non-Performing Loans

($ in millions)	**1995**	1994	1993	1992	1991
Average non-performing gross loans receivable	**2,247**	2,862	2,948	2,428	1,821
Non-performing receipts (principal and interest)	**182**	115	91	115	60
Cash flow as a percentage of average loans	**8.1%**	4.0%	3.1%	4.7%	3.3%

Loan Asset Risk Concentration

Sovereign Loans

The Corporation had the following sovereign risk concentrations for its performing gross loans receivable:

Sovereign Performing Loans

($ in millions)	1995			1994	
	$	%		$	%
China	1,153	23	China	1,344	26
Mexico	422	8	Mexico	492	10
Algeria	418	8	Algeria	398	8
Brazil	400	8	India	368	7
Indonesia	323	6	Venezuela	293	6
Other	2,400	47	Other	2,182	43
Total	$5,116	100	Total	$5,077	100

The country with the largest concentration of sovereign loans receivable was China, which represented 23% of all sovereign loans outstanding at December 31, 1995, a decrease of 3% from 1994. The decrease is the result of the prepayment by China of $267 million of fixed rate loans. Generally, the level of concentration has diminished slightly when both loan receivables and undisbursed loan commitments, which are listed below, are taken into consideration.

The largest undisbursed loan commitments by sovereign borrower are listed below:

Sovereign Undisbursed Loan Commitments

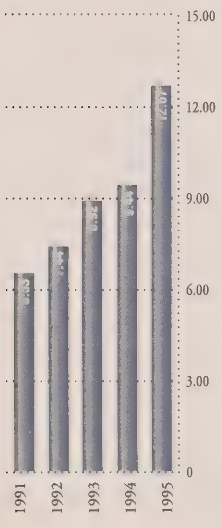
($ in millions)	1995			1994	
	$	%		$	%
Venezuela	176	26	Indonesia	288	26
Indonesia	168	25	China	269	24
Pakistan	93	14	Venezuela	207	19
China	89	13	Colombia	104	9
Colombia	42	6	South Africa	62	6
Other	113	16	Other	176	16
Total	$681	100	Total	$1,106	100

Due to the nature of the Corporation's business, it is anticipated that the concentration of loans receivables among sovereign counterparties will remain unchanged, and that the level of concentration will be beyond that normally considered reasonable among commercial financial institutions. In 1996, the Corporation will be reviewing the need for an additional general allowance for losses on loans based solely on significant sovereign loan concentrations.

Commercial Loans

The Corporation's commercial loan exposure to the five largest counterparties amounted to 46% of the total commercial performing gross loans receivable, a decline from the 1994 level of 51%. The largest exposure to a single commercial counterparty was $586 million with undisbursed commitments of $148 million. The air transportation sector accounted for $1,350 million, or 47% of the performing commercial portfolio of $2,899 million. Of the undisbursed commercial loan commitments of $1,173 million, $552 million or 47% are concentrated in the air transportation sector. For 1996, concentration of risk to individual counterparties and to the air transportation sector is expected to remain unchanged.

Allowance for Losses on Loans as a Percentage of Gross Loans Receivable



At the end of 1995, commercial loans outstanding whose original term is short-term (the term from disbursement to repayment is less than one year) amounted to $287 million (1994 – $205 million). Undisbursed short-term loan commitments were $514 million, or 44% of the commercial portfolio.

In 1996, as in the case of the sovereign portfolio, the Corporation will be reviewing the need for an additional general allowance for losses on loans based solely on significant concentrations for individual counterparties and industry sectors.

Allowance for Losses on Loans

At December 31, 1995, the allowance for losses on loans amounted to $1,256 million, an increase of $321 million or 34% over the 1994 allowance of $935 million.

The Corporation categorizes its performing commercial and sovereign loans using a rating system of 1 to 4 (high investment grade to below investment grade), and then establishes an appropriate general allowance for each category. For non-performing commercial loans, a specific allowance is determined for each loan based on expected loss after taking into consideration all loan circumstances, including loan security.

Sovereign

In 1995, the Corporation commenced using a classification scheme based on external credit ratings of countries, an approach which is more closely aligned to the commercial classification scheme.

The 1995 allowance on loans and guarantees as a percentage of exposure was as follows:

Allowance for Sovereign Portfolio

($ in millions)

			1995
	Allowance for losses	Exposure*	%
Loans			
(1) High investment grade, > A	–	–	–
(2) Medium investment grade, = A	4	201	2
(3) Low investment grade, = Baa	67	1,684	4
(4) Below investment grade, < Baa	297	2,969	10
(5) Non-performing	612	1,127	54
Subtotal	980	5,981	16
Loan guarantees, mainly below investment grade	20	205	10
Total	$1,000	$6,186	16

**Loan exposure excludes non-accrued capitalized interest.*

The sovereign allowance rose by $226 million to $1,000 million. The increase is mainly the result of the classification alignment based on external credit ratings with an appropriate general allowance in line with commercial rates. Although non-performing sovereign loans decreased significantly by the reclassification of the Argentine and Brazilian loans to performing, the amount of the non-performing allowance actually increased from $600 million to $612 million. Consequently, the non-performing allowance to loans exposure increased to 54% from the level of 34% at the end of 1994. The non-performing allowance for losses on loans has been maintained to reduce the carrying value of non-performing loans as the Corporation has been benchmarking its non-performing sovereign loans against market prices of similar sovereign debt, mainly Brady Bonds, when assessing the allowance. In addition, the cash flow experience from non-performing sovereign borrowers is also taken into consideration.

Commercial

The Corporation undertakes annual loan reviews to assess the financial condition of the borrowers or guarantors and their adherence to loan covenants. When available, the Corporation utilizes external credit ratings on its commercial borrowers in order to classify commercial loans receivable into investment grade categories. When these ratings are unavailable, loan reviews are combined with professional experience and judgment to determine the appropriate classification for each loan. For each rating classification, a general allowance is established. When a commercial loan is classified as non-performing, the loan is placed in category 5, and a specific allowance is then established based on estimated potential loss.

The 1995 allowance on loans and guarantees as a percentage of exposure was as follows:

Allowance for Commercial Portfolio

($ in millions)			1995
	Allowance for losses	Exposure	%
Loans			
(1) High investment grade, > A	12	722	2
(2) Medium investment grade, = A	42	1,203	3
(3) Low investment grade, = Baa	14	237	6
(4) Below investment grade, < Baa	88	737	12
(5) Non-performing	97	103	94
Subtotal	253	3,002	8
Loan guarantees	3	51	6
Total	$256	$3,053	8

The commercial allowance rose by $95 million to $256 million mainly as a result of the growth in commercial loans receivable in the below investment grade category. Commercial loans in the below investment grade category rose by $398 million increasing the allowance by $48 million. Commercial loans of $13 million were added to the non-performing category, and the non-performing allowance percentage was increased accordingly. Overall, these changes resulted in a $30 million rise in the allowance from 1994.

CONTINGENT LIABILITIES

Insurance Policies in Force and Guarantees

Insurance policies in force and guarantees increased during 1995 to $6,214 million from the 1994 level of $5,054 million, an increase of $1,160 million, or 23%. Most of the increase was in the short-term Global program, which increased by $1,275 million, or 49% from the 1994 level of $2,575 million.

Contingent Liability Risk Concentration

Short-Term Program

The top five countries represented $2,497 million, or 62% of the total short-term contingent liability of $4,000 million. The largest concentrations within the short-term program were in the following countries:

Short-Term Liability

($ in millions)	1995			1994	
	$	%		$	%
U.S.	1,173	29	U.S.	834	29
Mexico	377	9	Mexico	644	22
Brazil	364	9	Brazil	287	10
Japan	353	9	Japan	207	7
Iran	230	6	Italy	99	3
Other	1,503	38	Other	825	29
Total	$4,000	100	Total	$2,896	100

Medium-Term Program

The five countries with the largest contingent liabilities represented 43% of the total medium-term contingent liabilities. As at December 31, 1995, the medium-term liability portfolio comprised 835 transactions in 86 different countries with an average per risk exposure of $2 million.

Sovereign Risks

The largest sovereign risk contingent liabilities within the medium-term portfolio were in the following countries:

Medium-Term Liability

($ in millions)	1995			1994	
	$	%		$	%
Turkey	270	21	Turkey	285	23
Colombia	174	13	Guyana	136	11
Peru	140	11	Yemen	128	10
Guyana	132	10	Venezuela	113	9
Argentina	119	9	Papua New Guinea	88	7
Other	467	36	Other	478	40
Total Sovereign Medium-Term Liability	1,302	100		1,228	100
Total Commercial Medium-Term Liability	912			930	
Total Medium-Term Liability	$2,214			$2,158	

Commercial Risks

The five largest individual commercial contingent liabilities comprised 34% (1994 – 35%) of the medium-term contingent liabilities.

Policyholder / Policy Size Concentration

Short-Term Program

As at December 31, 1995, the short-term program supported 2,220 policyholders. In terms of total declared volume during the year, the top five customers represented 17% of the total 1995 declared volumes (1994 – 18%).

The number of policyholders with declared volume of over $50 million per year has been steadily increasing over the last three years. In 1995, there were 49 companies with volumes of over $50 million compared to 33 in 1994 and 28 in 1993. It should also be noted that large buyers, that is, those with aggregate credit authorization for all exporters selling to that buyer in excess of $10 million, now account for over 22% of the total authorizations.

The following table shows the number of buyers supported classified by exposure size in the short-term portfolio:

($ in thousands)

$ Value of Exposure	Number of Buyers
1–500	15,802
501–2,000	1,564
2,001–5,000	424
5,001–10,000	153
10,001 and over	96
Total	18,039

Medium-Term Program

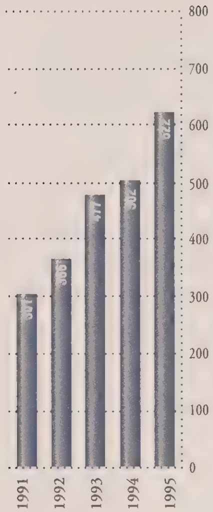
During 1995, 227 policyholders were supported in the medium-term program. The top five customers represented 32% of the 1995 medium-term insurance policies and guarantees in force, a decline from the 1994 level of 38%. In terms of policy size, the top five policies and loan guarantees in force as at December 31, 1995 represented 28% (1994 – 34%) of the total medium-term policies in force.

The concentration in terms of policy size and the number of policies issued to specific policyholders has been reflected in the provision adjustment which resulted from the year-end actuarial allowance evaluation.

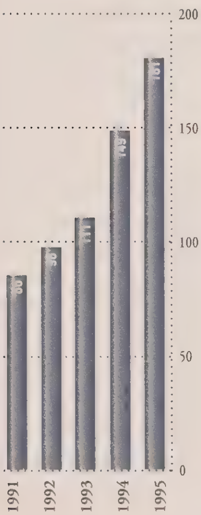
In addition, the Corporation is increasing its efforts to mitigate its risks by seeking more partnerships with reinsurers. As well, in 1996 and beyond, there will be a concentration of business development efforts in providing support to small and emerging exporters as well as in the medium-sized segment of the market.

Contingent Liabilities by Policy Term

Number of Claims Paid



Growth of Allowance for Claims
($ in millions)



Claims Experience

Default and insolvency accounted for 88% of the total claims paid in 1995. This is a significant shift in risk type from 1994 when 63% of the total claims paid were for transfer and conversion risk and 34% of 1994 claims paid were in the default and insolvency categories. It is important to note that most of the transfer and conversion claim payments made in 1994 were ultimately recovered. When these payments are factored out of the 1994 results, default and insolvency claims paid as a percentage of overall claims paid were consistent with the current year's results.

Eighty-two percent of the default and insolvency claim payments (a total of 550 claim payments) were paid on behalf of customers' losses in the United States and Mexico. The United States remains the country with the largest volume of short-term claims.

Although the net claims paid by the Corporation has fluctuated over the most recent five year period, over the same period, the overall number of claims submissions and payments has steadily increased.

The Corporation wrote off 495 claims for a total of $10 million in 1995. The major concentration of write-offs were in the U.S. ($7 million) and Mexico ($2 million).

As at December 31, 1995 the Corporation had $57 million claims paid and outstanding to 38 countries with estimated recoveries of $20 million.

Allowance for Claims on Insurance and Guarantees

As at December 31, 1995, the allowance for insurance claims was $181 million, an increase of $32 million or 21% over the 1994 allowance of $149 million. Included in the provisioning expense was a $12 million increase in the allowance which resulted from the actuarial allowance valuation. This increase was made due to the growth of the insurance portfolio as well as the increased concentration of risks in terms of size and length of policies and the number of policies issued to specific counterparties, particularly in the medium-term portfolio.

The total allowance for claims as a percentage of contingent liabilities has remained relatively stable since 1991, increasing from 2.9% to 3.1%.

TREASURY OPERATIONS

Treasury Policies, Strategies and Approvals

In accordance with the Export Development Act and the Financial Administration Act, EDC funds its capital requirements in international and domestic capital markets through borrowings including issuing bonds, debentures, notes and other evidence of indebtedness. EDC attempts to minimize the cost of borrowing and maximize investment returns while prudently managing interest rate, foreign exchange and credit risks.

The Corporation manages its assets and liabilities on a portfolio basis. The portfolios are fixed rate, floating rate and liquidity. Each portfolio is made up of assets and liabilities denominated in a number of currencies including Canadian dollars, U.S. dollars, Deutsche Marks, Japanese Yen, Swiss Francs, European Currency Units, British Pounds, and Dutch Guilders. As at December 31, 1995, the percentage of total assets in each portfolio was floating rate 48%, fixed rate 39%, and liquidity 13%. Each portfolio may be funded by any of fixed rate debt, floating rate debt, short-term debt, various other non-interest bearing sources of funds, and equity.

Risk Management Policies

The Corporation manages its exposures to interest rate and foreign exchange risk utilizing guidelines developed in consultation with the Department of Finance, and approved by the Corporation's Board of Directors. The Treasury Division meets daily and the Corporation's Finance Committee meets weekly to review and discuss interest rate, foreign exchange and credit risks, and to analyze borrowing requirements. These activities and the asset/liability positions are reported quarterly (or more frequently as required) to EDC's Asset/Liability Management Committee and quarterly to the Audit Committee of the Board and the Board of Directors.

Interest Rate Risk

Interest rate risk exists where there is a mismatch between maturing assets and liabilities in any year. The Corporation follows Minister of Finance approved guidelines to manage interest rate risk. The first states that the Corporation should control interest rate risk exposure such that the exposure will not exceed 35% of projected Net Interest Income given an immediate and sustained interest rate shock of +/- 200 basis points. The guideline applied to 1996 projected Net Interest Income results in an exposure of 1.9%. This exposure together with the foreign exchange exposure should not exceed 40% of projected annual Net Interest Income. This combined exposure measured 2.2% as at December 31, 1995.

A second interest rate risk guideline indicates that EDC should manage the maturity structure of its existing assets and liabilities such that the difference between maturing fixed rate assets and liabilities in any given year will not exceed $250 million in any currency. Also, the difference between the weighted average term to maturity of the Corporation's fixed rate assets and liabilities should not exceed two years in each currency. In 1996, maturing assets exceed liabilities resulting from extending term on debt when interest rates were historically low. In 1999 maturing liabilities exceed maturing assets but this gap will decrease with increased loan signings during the intervening period.

EDC generally funds when it requires cash, rather than at the time of commitment on lending rates for loan assets, in order that it may avoid the cost of carry, or the cancellation or deferment of contingent assets. EDC normally minimizes its fixed rate bridge financing or warehousing positions, depending on the Corporation's cash requirements and interest rate view. A third interest rate risk guideline requires that EDC not allow its fixed rate bridge financing position to exceed 10% of outstanding loans receivable or 50% of the Corporation's following 12 months cash requirements, whichever occurs first. As at December 31, 1995, the bridge position equaled 1% of outstanding loans receivable or 9% of cash requirements. EDC will not allow its warehousing position to exceed 10% of outstanding loans receivables or 50% of the Corporation's following 12 months cash requirements, whichever occurs first. As at December 31, 1995, the warehousing position equaled 1% of outstanding loans receivable or 8% of cash requirements.

A fourth interest risk guideline states that EDC will ensure that the level of unfunded, undisbursed commitments as a percentage of total loan and guarantee commitments will not exceed 50%. This position equaled 16% as at December 31, 1995.

Foreign Exchange Rate

It is EDC's policy to enter into hedges to protect the Corporation from interest rate and currency movements with respect to its borrowings. The Corporation endeavors to create liabilities in non-U.S. or Canadian dollar currencies ("other currencies") matching those of its loans receivable in order to minimize foreign exchange exposure. The specific foreign exchange risk guidelines are as follows:

EDC may use other currencies that have a close correlation with each other as cross-currency hedges. EDC may also assume foreign exchange exposures such that shocks of +/-2 standard deviations to exchange rates will limit foreign exchange losses to within 15% of projected annual Net Interest Income. The result of applying the formula for controlling the maximum impact on projected Net Interest Income to corporate foreign exchange exposure, as at December 31, 1995 is .3%.

A foreign exchange translation loss of $12 million Canadian dollars was recognized in the consolidated financial statements for 1995. This figure is different from the guideline since it reports foreign exchange gains and losses on a year-to-date basis and it takes into account actual movements in the currencies. Over 1995 the currency markets remained volatile and several currencies that affect the Corporation moved by more than two standard deviations.

Credit Risk

Credit risk is the risk that a loss will be incurred if a counterparty fails to meet its obligations. EDC's credit risk includes both on- and off-balance sheet instruments. Current outstanding amounts by credit rating for investments as at December 31, 1995 were as follows:

($ in millions)

Credit Rating	High Investment Grade (> A)	Medium Investment Grade (= A)	Term in Days
Mortgage-backed securities	78	–	1,314
Term deposits	491	78	18
Floating rate notes	180	–	34
Sovereign bonds	531	–	929
Corporate bonds	36	–	456
Banker's acceptances	36	–	21

Current outstanding notional amounts by credit rating for off-balance sheet instruments as at December 31, 1995 were as follows:

($ in millions)

Credit Rating	High Investment Grade (> A)	Medium Investment Grade (= A)
Currency swaps	2,215	–
Interest rate swaps	2,706	–
Options	950	–
Foreign exchange	1,331	–
Forward rate agreements	20	–

The following chart indicates EDC's top five counterparty exposures for swaps and term deposits as at December 31, 1995:

($ in millions)

Counterparty	Credit Rating	Exposure	Term in Days
Generale Bank	High investment grade	139	13
Hongkong Bank of Canada	High investment grade	106	16
Barclays Bank PLC	High investment grade	95	11
Credit Suisse Financial Products	High investment grade	91	2,604
Dai-Ichi Kangyo Bank	High investment grade	80	1,663

Against this credit exposure, the Corporation has prudently set aside a general allowance of $20 million. It should be noted that the Corporation has never experienced a credit loss in relation to its investments and off-balance sheet financial instrument portfolios.

Funding Requirements

For 1996, EDC requires U.S. $60 million of fixed rate funding and U.S. $865 million of floating rate funds. The cash flows include existing business and projected future business.

Fixed Rate Portfolio

It is estimated that in 1996, EDC's aggregate new fixed rate borrowings will be in excess of $82 million depending on future loan signings.

In a low interest rate environment when rates are cyclically low, EDC believes it should extend term on its liabilities by issuing long-term funding. Although this strategy could deviate from EDC's policy of matching the term of its asset and liability portfolios, it would benefit the Corporation by locking in low cost long-term funds.

Floating Rate Portfolio

It is estimated that in 1996 the Corporation's floating rate requirements will not exceed $1,139 million. The Corporation continuously issues short-term paper (maturing in less than one year) by means of North American-based, Canadian and U.S. dollar commercial paper programs. A European-based money market registered claims program, denominated in various currencies, is used to supplement the commercial paper programs. However, the European-based program has decreased considerably in the last few years and will continue to diminish in its importance.

Investment Strategy

In February 1995, EDC was given new investment authorities to be used in its operations. Under the new guidelines, EDC is permitted to invest in Government of Canada and other approved government or government guaranteed securities. As well, investments are permitted with financial institutions in the form of deposits and other financial instruments and corporate securities. Within the new authorities credit rating thresholds for various maturities and instruments have been established. In general, short-term investments in "A" rated entities and long-term investments in "AA-" rated entities will be permitted. No investment will have a duration greater than ten years. As a result of the wider range of instruments EDC will be permitted to invest in, a considerable dilution of credit risk concentration should occur.

EDC maintains corporate liquidity sufficient to meet its general operating requirements and to maintain stability in the short-term borrowing program. It is the policy of EDC that corporate cash holdings be invested in a prudent manner. Investments are governed by the Export Development Act and the Financial Administration Act. Investment vehicles include bonds, stocks, debentures, or other securities guaranteed by the Government of Canada, or the government of a country other than Canada if prescribed by the Minister of Finance. A counterparty credit rating of "AA" or higher is required in order to meet EDC investment criteria. Short-term liquidity equaled $1.5 billion as at December 31, 1995.

Planning Comparison and Prospects for 1996

For 1995, the Corporation's business volume reached $17.2 billion, exceeding the 1995 Corporate Plan by 24%. Short-term insurance surpassed the Plan by 41% while the medium- and long-term programs were 10% below Plan. The Plan estimated loans receivable to be $9.3 billion (excluding non-accrued capitalized interest) while loans receivable at the end of the year was $9.0 billion. The planned China loan prepayment of $267 million is the main reason for the difference. The Plan estimated interest revenue of $529 million while the Corporation recognized $748 million. The explanation for the variance of $219 million can mainly be attributed to the assumption under the Plan that the non-performing loans for Poland, Egypt, Argentina and Brazil would remain non-performing during the second half of 1994, and during 1995, and that the cash flow from these loans would be minimal. Of the $3.1 billion of non-performing loans (gross loans receivable) that the Corporation had at the end of 1993, the Corporation has since transferred $1.5 billion of these loans in the above countries to performing status, and has experienced a significant cash flow in 1995 from Brazil. For 1995, the provision for losses on loans was $341 million, or $257 million more than the Plan due to changes regarding the methodology for estimating the allowance for losses on

loans. Premiums earned of $74 million exceeded the Plan by $21 million, mainly as a result of the significant increase in short-term insurance business volume over Plan. Administrative expenses of $57 million were $10 million below Plan due to lower than expected employee strength and lower costs for professional services and accommodation. Net income, excluding revenue from debt relief arrangements, was $33 million compared to the Plan's $27 million.

For 1996, the Corporate Plan anticipates net income of $45 million, including $5 million for debt relief. These results are consistent with net income for 1995. Loans receivable is expected to increase by $230 million, or 2%, with planned financing volume of $3 billion. Loan interest and related fee revenue is expected to be $673 million for 1996, a reduction of $143 million from 1995. Lower interest rates due to a general decrease in Prime and LIBOR rates for the floating portfolio and fewer cash payments from the non-performing portfolio are planned. The non-performing loans portfolio is not expected to change significantly over 1996. Insured volume is expected to climb to $16.9 billion for 1996 with insurance premiums rising to $82 million from the 1995 level of $74 million. The related contingent liability is expected to increase by $820 million by the end of 1996, an increase of 13% from the 1995 level. In summary, the Corporation expects the continuation of positive cash flow from operations and stable financial results for 1996.

Financial Reporting Responsibility

The Consolidated Financial Statements contained in this Annual Report have been prepared by Management in accordance with accounting principles generally accepted in Canada and have been consistently applied. The integrity and objectivity of the data in these Consolidated Financial Statements are Management's responsibility. The Consolidated Financial Statements include some amounts, such as the allowances for losses on loans and claims, that are necessarily based on Management's best estimates and judgment. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the Consolidated Financial Statements. In support of its responsibility, Management maintains financial and management control systems and practices to provide reasonable assurance that the financial information is reliable, that the assets are safeguarded and the operations are carried out effectively. The Corporation has an internal audit department whose functions include reviewing internal controls and their application, on an ongoing basis.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit Committee meets with Management, the internal auditors and the Auditor General of Canada on a regular basis.

The Board of Directors of EDC is responsible for all business undertaken by the Corporation. Contracts which, in the opinion of the Board of Directors, involve risks for a term or an amount in excess of that which the Corporation would normally undertake, may be entered into under the authority of the Governor General in Council where the Minister considers them to be in the national interest. The Board of Directors has the predominant role in the management of this program and is solely responsible for its administration. Funds required for such contracts are paid to the Corporation by Canada, and funds recovered are remitted to Canada, net of amounts withheld to cover related administrative expenses. The administration of accounts on behalf of Canada is shown in Note 16 to the Corporation's Consolidated Financial Statements.

The Auditor General of Canada conducts an independent audit, in accordance with generally accepted auditing standards, and expresses his opinion on the Consolidated Financial Statements. His report is presented on the following page.

Paul Labbé
President and
Chief Executive Officer

Roger Pruneau
Executive Vice-President and
Chief Financial Officer

Auditor's Report

AUDITOR GENERAL OF CANADA | VÉRIFICATEUR GÉNÉRAL DU CANADA

To the Minister for International Trade

I have audited the consolidated balance sheet of the Export Development Corporation as at December 31, 1995 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Financial Administration Act, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation and of its wholly-owned subsidiary that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Export Development Act and regulations, the Canada Business Corporations Act and the by-laws of the Corporation and its wholly-owned subsidiary.

Wm. F. Radburn, FCA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 7, 1996

CONSOLIDATED BALANCE SHEET

as at December 31, 1995

($ in millions)	1995	1994
ASSETS		
Investments (note 3)	1,225	911
Other investments (note 4)	234	186
Accrued interest	19	20
	1,478	1,117
Net loans receivable (notes 5, 6 and 7)	7,727	8,037
Accrued interest and fees	159	160
	7,886	8,197
OTHER		
Recoverable insurance claims (note 10)	20	13
Unamortized discount, issue expenses and other assets	44	48
	64	61
	$9,428	$9,375

See accompanying notes.

($ in millions)	1995	1994
LIABILITIES		
LOANS PAYABLE (note 11)		
Short-term	2,032	1,447
Long-term	5,570	6,213
	7,602	7,660
Accrued interest	154	141
	7,756	7,801
OTHER LIABILITIES AND DEFERRED REVENUES		
Accounts payable	50	58
Deferred insurance premiums	15	18
Allowance for claims on insurance and guarantees (note 10)	181	149
Deferred loan revenues and other credits	253	258
	499	483
Loan Commitments and Insurance and Guarantees (notes 8 and 9)		
SHAREHOLDER'S EQUITY		
Share capital (note 12)	851	813
Retained earnings	322	278
	1,173	1,091
	$9,428	$9,375

See accompanying notes.

Approved by the Board of Directors

W.R.C. Blundell

W.R.C. Blundell
Director

Roger Pruneau
Executive Vice-President and Chief Financial Officer

Paul Labbé
Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

for the year ended December 31, 1995

($ in millions)	1995	1994
LOANS		
Interest earned	748	553
Debt relief arrangements (note 13)	11	151
Fees earned	57	51
	816	755
Less: provision for losses on loans	341	140
	475	615
INSURANCE		
Premiums and fees earned	74	51
Less: provision for claims on insurance	49	40
	25	11
INVESTMENT REVENUE EARNED	75	38
	575	664
INTEREST EXPENSE		
Long-term	414	388
Short-term	60	49
	474	437
ADMINISTRATIVE EXPENSES	57	56
	531	493
NET INCOME	44	171
RETAINED EARNINGS		
Beginning of year	278	107
End of year	$322	$278

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 1995

($ in millions)	1995	1994
OPERATING ACTIVITIES		
Net income	44	171
Items not affecting cash		
Provision for losses on loans	341	140
Provision for claims on insurance	49	40
Accrued interest and fees	14	(89)
Other changes	(25)	36
Cash provided	423	298
LENDING ACTIVITIES		
Loans receivable disbursed	(2,172)	(2,444)
Loans receivable repaid	2,114	1,672
Items not affecting cash		
Net increase in deferred revenue	(5)	19
Interest rescheduled	(131)	(189)
Loans interest and expenses reversed	–	(3)
Cash used	(194)	(945)
FINANCING ACTIVITIES		
Issue of long-term loans payable	556	1,518
Repayment of long-term loans payable	(42)	(1,891)
Decrease in short-term loans payable	(408)	(114)
Issue of share capital	38	25
(Increase) decrease in other investments	(48)	10
Cash provided (used)	96	(452)
Increase (decrease) in investments	325	(1,099)
Foreign exchange on opening balance of investments	(11)	121
INVESTMENTS		
Beginning of year	911	1,889
End of year	$1,225	$911

See accompanying notes.

1. CORPORATE MANDATE AND ACTIVITIES

Export Development Corporation ("The Corporation" or "EDC") was established on October 1, 1969 by the Export Development Act ("The Act"), a statute of the Parliament of Canada which was amended on June 10, 1993. The Corporation was created as an agent of Her Majesty in right of Canada for the purposes of supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities. This Act as amended gives EDC the flexibility to consider a wider range of options to meet the needs of Canadian exporters and those investing in foreign markets. The Corporation is accountable for its affairs to Parliament through the Minister for International Trade.

EDC incorporated Exinvest Inc. ("the Subsidiary"), under the Canada Business Corporations Act on August 1, 1995. All funds for the commencement of the Subsidiary were received from the Government of Canada. The Subsidiary shares the same fiscal year-end as the Corporation. As at December 31, 1995, the Subsidiary had not yet commenced operations. The activities of the Subsidiary have been consolidated with those of the Corporation.

The earnings of the Corporation and its Subsidiary are not subject to the requirements of the Income Tax Act.

The Corporation is subject to a limit imposed by the Act on its contingent liability programs. The Act specifies that the Corporation's contingent liabilities in respect of the principal amounts owing under all outstanding arrangements shall at no time exceed $15 billion, an amount equal to ten times the authorized capital of the Corporation. As at December 31, 1995, the position against this limit is $7.9 billion (1994 – $7.5 billion).

As an agent of Her Majesty in right of Canada, the payment of all monies borrowed by EDC and interest thereon and of the principal of and interest on all securities issued by EDC is a charge on and payable out of the Consolidated Revenue Fund of Canada under the Financial Administration Act of Canada. The Act allows the Corporation to borrow up to a maximum of fifteen times the aggregate of its paid-in capital from time to time and the retained earnings determined in accordance with the previous year's audited Financial Statements. This limit for borrowing is $16.9 billion (1994 – $13.8 billion), against which borrowings amounted to $7.6 billion (1994 – $7.7 billion).

The Corporation enters into transactions with other Government departments, agencies, and Crown corporations in the normal course of business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments which are being held to maturity are carried at cost. Gains and losses on these investments are recognized in income only when they are realized and the asset is removed from the balance sheet. "Available for sale" securities are carried at market value. The gains and losses arising from investments carried at market value are included in investment revenue earned.

Net Loans Receivable

Gross loans receivable have been reduced by the allowance for losses on loans and by the non-accrued capitalized interest.

Loan Interest and Fees

Loan interest is recorded on the accrual basis until such time as Management determines that a loan should be classified as non-performing. Subsequently, when a loan is classified as non-performing, the Corporation reverses previously accrued interest against the allowance for losses on loans.

Any interest payment on a non-performing loan is recorded as interest income when received.

A non-performing loan is restored to an accrual basis after a pattern of regular payments has been established, normally after three years. When the Corporation restores the loan to an accrual basis, previously non-accrued capitalized interest is recognized over the remaining life of the loan.

Loan fees are normally taken into income over the disbursement and repayment periods of the related loan.

Debt Relief Arrangements

In accordance with the terms of multilateral debt reduction and debt service agreements between the Government of Canada and sovereign borrowers, the Corporation accrues as interest revenue amounts due from the Government including interest for debt service agreements, and previously non-accrued capitalized interest for debt reduction agreements.

Allowance for Losses on Loans

The allowance for losses on loans is based on a review of collectibility of all loans to commercial and sovereign borrowers.

As the result of the review of all loans to commercial borrowers, the Corporation charges to income an amount sufficient to specifically provide for potential losses on the commercial loans receivable portfolio to reflect the impairment of the related commercial loan assets.

The Corporation also sets aside a general allowance based on Management's best estimates of potential losses on the commercial and sovereign loans receivable portfolio for which no specific provision has been made.

Recoverable Insurance Claims

Recoverable insurance claims payments are recorded at estimated recoverable values. Subsequent net gains or losses on recovery are credited or charged to the allowance for claims on insurance and guarantees when estimates are re-evaluated.

Allowance for Claims on Insurance and Guarantees

The allowance for claims on insurance and guarantees is based on an actuarial review of net loss experience and potential net losses and represents Management's best estimate of the net present value of the liability under existing policies and guarantees.

Insurance Premiums

For short-term insurance policies, premiums are taken into income at the commencement of coverage. Premiums on other export insurance policies are taken into income using methods which generally reflect the exposures over the terms of the policies. Reinsurance premiums and recoveries on losses incurred are recorded as reductions of the respective income and balance sheet accounts. Unearned premiums on insurance transferred to reinsurers and estimates of amounts recoverable from reinsurers on unpaid claims are deducted from deferred premiums and recoverable claims respectively.

Interest Expense

Interest expense includes hedging expenses, costs of issuing derivative financial instruments, and the amortization of debt discount and issue expenses which are charged to income over the life of the related debt.

Translation of Foreign Currency

The Corporation hedges its U.S. dollar assets and liabilities on a total portfolio basis. Any net exposure to future changes in the U.S. dollar foreign exchange rate is due to short-term timing differences in cash flows. It is the Corporation's policy to manage assets and liabilities denominated in U.S. dollars in such a way as to minimize this net exposure.

Assets and liabilities in foreign currencies other than U.S. dollars are also normally hedged to minimize exposures. All assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at year-end.

Income and expenses are translated at daily exchange rates in effect during the year.

Exchange gains and losses resulting from the translation of foreign currency balances and transactions are reported with investment revenue earned.

Other Financial Instruments

The Corporation uses a variety of off-balance sheet derivative financial instruments, such as forward exchange contracts, currency swaps, interest rate swaps, options (caps and floors used as options), and futures, to reduce market risks and funding costs.

Gains or losses arising from transactions designated as hedges are deferred and recognized in income over the remaining life of the hedged item. The costs of issuing these instruments are included in interest expense.

New Accounting Standards

Impaired Loans

The Canadian Institute of Chartered Accountants (CICA) issued Handbook Section 3025, a section dealing with impaired loans. These standards become effective for the Corporation in 1996. A loan is considered to be impaired when the lender no longer has reasonable assurance that the full amount of principal and interest will be collected in accordance with the terms of the loan. When a loan is impaired, the carrying amount is reduced to its estimated realizable value through the discounting of anticipated cash flows, or if cash flows cannot be reasonably estimated, the observable market value of the loan may be used.

Over the last few years, the Corporation has been using a combination of benchmarking the market prices of sovereign debt, together with cash flow experience and the likelihood of future cash flows continuing, when establishing the allowance for losses on loans, and thus the carrying value of its non-performing loans. After an initial assessment of the new standards, it is anticipated that no significant adjustments to the net loans receivable will be required in order to comply with the new CICA's impaired loans standards.

Financial Instruments

The Canadian Institute of Chartered Accountants (CICA) also issued Handbook Section 3860, a section dealing with financial instruments with standards effective for the Corporation in 1996. Disclosure will be required of exposure to credit and interest rate risk as well as disclosure of fair values of financial instruments. The impact on the balance sheet in future years cannot be determined at this time. There will be no change to net income as a result of these changes.

3. INVESTMENTS

The Corporation maintains liquidity sufficient to meet general operating requirements, to maintain stability in the short-term borrowing program and to provide flexibility in achieving corporate objectives. In order to meet these varied needs, marketable securities are held in either the investment or "available for sale" portfolios.

Investment securities comprise securities held for liquidity and longer term investment. "Available for sale" securities are intended to be held for a short period of time.

	Remaining Term to Maturity				
($ in millions)	Under 1 year	1 to 3 years	Over 3 years	1995	1994
Cash and short-term deposits	599			599	284
Marketable securities					
Investment securities[1]	147	197	92	436	463
Available for sale securities	118	–	72	190	164
Total	$864	$197	$164	$1,225	$911

[1] *The market value of the investment securities at December 31, 1995 is $437 million (1994 – $450 million).*

4. OTHER INVESTMENTS

The Corporation has investments in notes issued by related Crown corporations totaling $234 million (1994 – $186 million) which are not marketable. These are investments which the Corporation intends to hold to maturity. These transactions were performed in the normal course of business, done at fair value, and are carried at cost.

5. NET LOANS RECEIVABLE

Loans receivable mature as follows:

($ in millions)		1995			1994	
	Fixed	Floating	Total	Fixed	Floating	Total
Performing:						
Overdue	6	1	7	7	14	21
1995	–	–	–	522	875[1]	1,397
1996	523	801	1,324	537	301	838
1997	526	460	986	448	323	771
1998	458	420	878	428	268	696
1999	401	392	793	363	246	609
2000	364	305	669	326	205	531
2001 and thereafter	1,820	1,538	3,358	1,394	1,046	2,440
Performing	4,098	3,917	8,015	4,025	3,278	7,303
Non-performing	322	1,573	1,895	394	2,204	2,598
Total Gross Loans Receivable	$4,420	$5,490	$9,910	$4,419	$5,482	$9,901
Less: non-accrued capitalized interest for:						
– non-performing loans (note 6)	2	663	665	5	749	754
– performing loans[2]	–	262	262	–	175	175
Subtotal	4,418	4,565	8,983	4,414	4,558	8,972
Less: allowance for losses on loans (note 7)			1,256			935
Net Loans Receivable			$7,727			$8,037

[1] *Includes amounts owed by the Government of Canada of $359 million for debt relief arrangements.*

[2] *Represents the unamortized balance that accrued while the loan was non-performing.*

At December 31, 1995, the Corporation's performing loans receivable carry the following estimated effective yield:

($ in millions)	1995		1994	
	Receivable balance	Effective Yield	Receivable balance	Effective Yield
	$	%	$	%
SOVEREIGN[1]				
– fixed	2,830	9.14	3,030	9.27
– floating[2]	2,286	7.24	2,047	6.32
Subtotal	5,116		5,077	
COMMERCIAL[1]				
– fixed	1,268	9.47	995	9.12
– floating[2]	1,631	6.65	1,231	7.01
Subtotal	2,899		2,226	
Total Performing	$8,015		$7,303	

[1] *All yields are computed on a weighted average of the respective receivable balances.*
[2] *Floating interest rates are represented mainly by LIBOR for U.S. dollars and Prime for Canadian dollars.*

6. NON-PERFORMING LOANS RECEIVABLE

The Corporation has $1,895 million non-performing gross loans receivable (1994 – $2,598 million) of which $1,792 million is sovereign (1994 – $2,508 million) and $103 million is commercial (1994 – $90 million). During 1995, non-performing loans in Brazil and Argentina (1994 – Poland and Egypt) were reinstated to performing. The largest concentrations of non-performing loans are as follows:

($ in millions)	1995				1994		
	Gross loans receivable	Non-accrued capitalized interest*	Non-accrued interest		Gross loans receivable	Non-accrued capitalized interest*	Non-accrued interest
SOVEREIGN				**SOVEREIGN**			
Peru	591	332	7	Peru	571	306	6
Cameroon	362	100	41	Brazil	442	48	53
Côte d'Ivoire	254	95	6	Cameroon	367	102	11
Russia	84	25	3	Argentina	280	77	5
Gabon	78	10	4	Côte d'Ivoire	264	90	6
Other	423	103	108	Other	584	131	102
	1,792	665	169		2,508	754	183
COMMERCIAL				**COMMERCIAL**			
Financial Institutions	103	–	52	Financial Institutions	90	–	36
Total Non-performing	$1,895	$665	$221	Total Non-performing	$2,598	$754	$219

* *Amounts are included in gross loans receivable.*

During 1995, interest not accrued during the year for non-performing loans was $174 million (1994 – $185 million). The Corporation received payments, recorded as interest earned, of $116 million in 1995 (1994 – $79 million) from loans designated as non-performing.

The largest interest receipts from sovereign borrowers are as noted:

($ in millions)	1995		1994
Brazil	65	Brazil	20
Gabon	9	Argentina	12
Peru	8	Egypt	11
Argentina	5	Peru	9
Kenya	4	Gabon	8
Other	25	Other	19
Total	$116	Total	$79

7. ALLOWANCE FOR LOSSES ON LOANS

The allowance for losses on loans is as follows:

($ in millions)			1995			1994
	Sovereign	Commercial	Total	Sovereign	Commercial	Total
General allowance	1,000	159	1,159	774	94	868
Specific	–	97	97	–	67	67
Total	$1,000	$256	$1,256	$774	$161	$935

During 1995, the Corporation commenced using a classification system for the general allowance for performing sovereign loans based on external credit ratings of countries, and increased the general provisioning rates accordingly to be more consistent with the system employed for the performing commercial loans. In addition, the Corporation has benchmarked its non-performing sovereign loans against the market prices of similar sovereign debt, mainly Brady Bonds, when assessing the carrying value of its non-performing sovereign loans. Cash flow experience and future prospects are also taken into consideration when determining an appropriate general allowance for the non-performing sovereign loans. As a result of these changes, the provision for losses on loans increased by $260 million.

During the year, changes to the allowance for losses on loans were as follows:

($ in millions)	1995	1994
Balance at beginning of year	935	751
Provision for losses on loans	341	140
Interest reversals for non-performing loans	(3)	(3)
Write-offs	–	–
Recoveries	–	5
Foreign exchange	(17)	42
Balance at end of year	$1,256	$935

8. LOAN COMMITMENTS

The Corporation has undisbursed commitments of $1,854 million (1994 – $2,357 million). The Corporation expects to fund these undisbursed commitments near the time of their disbursement, typically over a three year period, by issuing a combination of debt instruments in world capital markets at commercial rates of interest and capital stock. The Corporation generally attempts to match debt maturities and currencies with those of its loans on a portfolio basis.

Undisbursed commitments are as follows:

($ in millions)	1995		1994	
	Undisbursed balance	Effective Yield	Undisbursed balance	Effective Yield
	$	% / Spread	$	% / Spread
SOVEREIGN[1]				
– fixed	454	8.76	783	8.54
– floating[2]	227	+2.86	323	+2.56
Subtotal	681		1,106	
COMMERCIAL[1]				
– fixed	116	8.72	189	8.79
– floating[2]	1,057	+1.01	1,062	+.80
Subtotal	1,173		1,251	
Total	$1,854		$2,357	

[1] *All yields are computed on a weighted average of the respective undisbursed commitment balances.*

[2] *Spread over floating interest rates represented mainly by LIBOR for U.S. dollars.*

9. INSURANCE AND GUARANTEES

The Corporation has insurance policies in force and guarantees outstanding of $6,214 million (1994 – $5,054 million) which mature as follows:

($ in millions)	1995	1994
Short-Term Program	4,000	2,896
Medium-Term Program		
1995	–	365
1996	430	327
1997	298	255
1998	113	77
1999	275	231
2000	84	242
2001 and thereafter	1,014	661
Total	$6,214	$5,054

The major concentrations by location of ultimate risk are as follows:

($ in millions)			1995				1994
	Short-Term	Medium-Term	Total		Short-Term	Medium-Term	Total
U.S.	1,173	65	1,238	U.S.	834	34	868
Mexico	377	10	387	Mexico	644	17	661
Brazil	364	3	367	Turkey	67	285	352
Japan	353	2	355	Brazil	287	2	289
Canada	147	207	354	Malaysia	28	195	223
Other	1,586	1,927	3,513	Other	1,036	1,625	2,661
Total	$4,000	$2,214	$6,214	Total	$2,896	$2,158	$5,054

Of the $6,214 million (1994 – $5,054 million) insurance policies in force and guarantees, the following policy types were supported:

($ in millions)	1995	1994
Credit Insurance	4,232	3,028
Performance Security	427	572
Surety	204	148
Bulk Agriculture	123	313
Foreign Investment Insurance	872	732
Loan Guarantees	356	261
Total	$6,214	$5,054

Reinsurance of $116 million (1994 – $70 million) has been deducted from the insurance policies in force.

10. RECOVERABLE INSURANCE CLAIMS AND ALLOWANCE FOR CLAIMS

In 1995, the Corporation paid claims on insurance of $28 million (1994 – $47 million), and recovered claims of $8 million (1994 – $38 million).

Of the $28 million claim payments in 1995, 96% were related to the short-term program. The largest concentrations of claim payments were in the following countries:

($ in millions)		1995			1994
	Claims Paid	Claims Recovered		Claims Paid	Claims Recovered
U.S.	12	3	Iran	21	23
Mexico	8	1	Algeria	7	–
Venezuela	3	1	U.S.	6	2
Cuba	2	2	Cuba	5	12
Canada	1	–	Mexico	3	–
Other	2	1	Other	5	1
Total	$28	$8	Total	$47	$38

During the year, changes to the allowance for claims were as follows:

($ in millions)	1995	1994
Balance at beginning of year	149	111
Provision for claims on insurance	49	40
Claims recovery expenses	(2)	(1)
Re-evaluation of recoverable claims	(13)	(5)
Foreign exchange	(2)	4
Balance at end of year	$181	$149

11. LOANS PAYABLE

The Corporation issues debt instruments in world capital markets at commercial rates of interest. Long-term debt instruments are issued by the Corporation in Canadian dollars, U.S. dollars and other currencies. The Corporation utilizes currency swaps to convert foreign denominated fixed rate notes primarily to U.S. dollars. Interest rate swaps are utilized to convert fixed rate instruments to floating rates primarily related to LIBOR.

Total loans payable mature as follows:

($ in millions)			1995	1994
	Fixed	Float	Total	Total
Within 12 months	273	1,759	2,032	1,447
1996	–	–	–	1,031
1997	270	491	761	512
1998	688	970	1,658	1,542
1999	751	68	819	842
2000	273	198	471	461
2001 and thereafter	520	1,341	1,861	1,825
Total	$2,775	$4,827	$7,602	$7,660
1995 Effective Yield[1]	7.16%	5.40%		
1994 Effective Yield[1]	7.47%	5.32%		

[1] *The yields are calculated after taking into consideration the effect of swap contracts.*

12. SHARE CAPITAL

The authorized share capital is $1.5 billion consisting of 15 million shares with a par value of $100 each. The number of shares issued and fully paid is 8.5 million (1994 – 8.1 million). During 1995, the Corporation issued 380 thousand shares (1994 – 250 thousand).

13. RELATED PARTY TRANSACTIONS

As an export credit agency and an agent of Her Majesty in right of Canada, the Corporation benefits from Canada's membership in the Paris Club, an international group, formed to deal on a multilateral basis with payment difficulties experienced by sovereign entities. Through the auspices of this Club and with subsequent negotiation, rescheduling agreements are arranged in conjunction with the implementation of International Monetary Fund disciplines to alleviate these payment problems.

The Government of Canada is of the view that the evolution of the international debt strategy could lead to multilateral agreements to provide debt relief by creditor governments in order to facilitate approved economic adjustment programs by certain debtor countries. The Government of Canada has undertaken to compensate the Corporation fully for any financial consequences arising from the Government's participation in multilateral activities to provide debt and debt service reduction.

It is Management's opinion that loans to sovereign governments are considered collectible unless they are formally repudiated by the debtors. However, indefinite delays in repayment of principal and interest may have to be accepted.

During 1995, the Corporation received from the Government of Canada $374 million (1994 – $15 million) for principal and interest, and recognized revenue of $11 million in 1995 (1994 – $151 million) pursuant to debt relief arrangements.

14. FOREIGN CURRENCY BALANCES

The Corporation has substantial assets and liabilities in U.S. dollars and in other currencies. The Canadian dollar equivalent after taking into consideration foreign exchange contracts is as follows.

($ in millions)	1995	1994
Deutsche Marks		
Assets	443	333
Liabilities	591	469
Net exposure [Asset (Liability)]	(148)	(136)
Rate of exchange DM 1.00	0.9520	0.9053
European Currency Units		
Assets	275	259
Liabilities	174	170
Net exposure [Asset (Liability)]	101	89
Rate of exchange ECU 1.00	1.7503	1.7191
British Pounds		
Assets	153	52
Liabilities	149	52
Net exposure [Asset (Liability)]	4	–
Rate of exchange GBP 1.00	2.1202	2.1961
U.S. Dollars		
Assets	7,289	7,428
Liabilities	7,140	7,361
Net exposure [Asset (Liability)]	149	67
Rate of exchange U.S. 1.00	1.3652	1.4028
Other Currencies		
Assets	19	5
Liabilities	19	–
Net exposure [Asset (Liability)]	–	5

15. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In any financial transaction there is always an inherent risk of loss. These risks may be classified as credit risks, wherein the counterparty fails to perform an obligation as agreed causing the other party to incur a financial loss, or price risks where an exposure exists as a result of changes in any of foreign exchange rates, interest rates and market risks.

The Corporation manages its exposure to credit risk by dealing only with financial institutions having original credit ratings of "A" for terms of three years and under, and "AA" for terms greater than three years. Internal policies and procedures establish proper credit approvals, controls and monitoring. The Corporation does not anticipate any significant non-performance by the counterparties due to the control procedures in place.

The breakdown of counterparty exposure for off-balance sheet items is as follows:

($ in millions)	1995	1994
High investment grade, > A	343	242
Medium investment grade, = A	84	107
Total	$427	$349

To limit its exposure to risk and reduce its funding cost, the Corporation uses hedges and off-balance sheet derivative financial instruments. Financial instruments, mainly in U.S. dollars with contractual or notional principal amounts outstanding as at December 31, 1995 are as follows:

($ in millions)	1995	1994
Foreign exchange contracts	$1,331	$1,640
Currency swaps	2,215	1,684
Interest rate swaps	2,706	2,464
Interest Rate Caps sold, exposure until 1998 (U.S. $)	350	350
Interest Rate Options written, exposure to 1998 (U.S. $)	600	800
Forward rate agreements	20	10

Credit losses inherent in the hedges, derivative financial instruments ($427 million) and investments ($1,225 million) have been estimated not to exceed $20 million. Accordingly, an allowance for credit loss of $20 million (1994 – $13 million) has been established. This amount is included in accounts payable.

16. ACCOUNTS ADMINISTERED FOR CANADA

(a) Pursuant to the Act, the Corporation administers for Canada certain loans and contingent liability programs entered into under the authority of the Minister for International Trade with the concurrence of the Minister of Finance for which the Board of Directors is only responsible for the management and administration of the program. These accounts are maintained separately from the Corporation's accounts, and are consolidated annually as at March 31 with the financial statements of the Government of Canada which are reported upon separately by the Auditor General of Canada. The assets administered for Canada, mainly loans receivable and accrued interest and fees recorded in accordance with accounting policies and practices approved by the Government of Canada, amounted to $2,812 million (1994 – $2,641 million).

(b) Statutory limits, loan and loan commitments and contingent liability programs in force.

The Act allows the Accounts administered for Canada to have outstanding loans and commitments to foreign borrowers, and liabilities under contracts of insurance and other agreements up to a maximum of $13 billion. The position against this limit, determined in accordance with the requirements of the Act, is $4,296 million (1994 – $4,134 million).

(c) The Corporation received reimbursement of expenses and administration fees from Canada of $16 million (1994 – $14 million).

Five Year Review

(as at December 31)

BALANCE SHEETS

($ in millions)	1995	1994	1993	1992	1991
Gross loans receivable	9,910	9,901	8,421	8,191	6,875
Less: non-accrued capitalized interest	927	929	843	828	379
Less: allowance for losses on loans	1,256	935	751	609	449
Net loans receivable	7,727	8,037	6,827	6,754	6,047
Investments	1,459	1,097	2,085	1,159	962
Accrued interest and other assets	242	241	242	194	159
Total assets	$9,428	$9,375	$9,154	$8,107	$7,168
Loans payable	7,602	7,660	7,624	6,746	5,914
Accrued interest and other liabilities	472	475	524	384	333
Allowance for claims	181	149	111	98	86
Total liabilities	8,255	8,284	8,259	7,228	6,333
Share capital	851	813	788	788	788
Retained earnings	322	278	107	91	47
Shareholder's equity	1,173	1,091	895	879	835
Total liabilities and shareholder's equity	$9,428	$9,375	$9,154	$8,107	$7,168

INCOME STATEMENTS

	1995	1994	1993	1992	1991
Loan interest and fees earned	805	604	531	528	483
Debt relief arrangements	11	151	25	31	29
Insurance premiums and fees earned	74	51	51	39	30
Investment revenue earned	75	38	92	62	68
Total income	965	844	699	660	610
Interest expense	474	437	427	399	417
Provisions for losses on loans and claims	390	180	181	172	117
Administrative expenses	57	56	50	45	43
Total expenses	921	673	658	616	577
Net income	$44	$171	$41	$44	$33

CORPORATE ACCOUNT

Financial Arrangements Facilitated

($ in millions)	1995	1994	1993	1992	1991
Export Financing					
Direct financing	2,142	1,879	3,191	2,066	1,411
Related CIDA loans and other financing	–	10	2	14	26
Subtotal	2,142	1,889	3,193	2,080	1,437
Export Insurance					
Short-term insurance*	13,044	8,164	7,009	5,340	3,890
Medium-term insurance*	1,954	1,300	1,437	1,147	1,115
Guarantees*	97	288	129	103	73
Subtotal	15,095	9,752	8,575	6,590	5,078
Total	$17,237	$11,641	$11,768	$8,670	$6,515

Financial and Other Data

	1995	1994	1993	1992	1991
Export Financing					
Number of transactions financed	140	137	164	154	163
Number of loans receivable	759	838	878	914	903
Value of total obligations on loans receivable	9,920	9,935	8,466	8,243	6,929
Number of undisbursed loans	201	197	213	264	280
Value of undisbursed loans	1,854	2,357	3,238	2,281	1,863
Value of disbursements to exporters during period	2,172	2,444	1,365	1,707	1,494
Value of liability on loan guarantees	257	202	145	20	22
Undisbursed amounts on loan guarantees	88	41	82	1	2
Number of current lines of credit and protocols	46	44	34	38	40
Amounts available for allocation	1,719	1,799	2,697	3,366	4,024
Loan amounts rescheduled	442	1,397	83	982	919
Loan recoveries	–	5	–	–	–
Loan amounts written off	–	–	1	1	–
Export Insurance					
Number of policies issued	2,040	1,732	1,819	1,570	1,573
Number of insurance policies and guarantees in force	3,446	3,186	3,000	2,432	2,330
Value of liability on insurance and guarantees	7,546	7,221	6,607	5,677	5,364
Value of claims paid	28	47	48	18	14
Value of claims recovered/rescheduled	8	51	22	3	12
Value of claims outstanding at year-end	57	48	61	40	33
Value of claims under consideration at year-end	17	10	2	3	3
Average Employee Strength During Year	557	549	541	512	513

** Figures prior to 1994 are restated to conform with current calculating practices.*

CANADA ACCOUNT

Financial Arrangements Facilitated

($ in millions)	1995	1994	1993	1992	1991
Export Financing					
Direct financing	430	317	901	551	244
Related CIDA loans and other financing	20	137	–	8	4
Subtotal	450	454	901	559	248
Export Insurance					
Short-term insurance*	4	–	58	80	58
Medium-term insurance*	281	168	341	200	35
Guarantees*	–	2	30	2	–
Subtotal	285	170	429	282	93
Total	$735	$624	$1,330	$841	$341

Financial and Other Data

Export Financing					
Number of transactions financed	26	7	33	16	34
Number of loans receivable	258	247	239	209	197
Value of total obligations on loans receivable	2,677	2,517	2,213	1,856	1,448
Number of undisbursed loans	88	81	94	108	133
Value of undisbursed loans	598	729	642	566	341
Value of disbursements to exporters during period	434	258	404	389	345
Number of current lines of credit and protocols	3	3	2	3	2
Amounts available for allocation	93	120	110	286	300
Loan amounts rescheduled	17	305	62	86	256
Export Insurance					
Number of policies issued	10	15	25	32	20
Number of insurance policies and guarantees in force	24	33	41	48	33
Value of liability on insurance and guarantees	508	482	721	380	152
Value of claims paid	23	20	1	–	–
Value of claims recovered	6	–	–	–	1
Value of claims outstanding at year-end	39	22	2	–	–

** Figures prior to 1994 are restated to conform with current calculating practices.*

Corporate Management

Leona Assié
Administrative Services

David Bailey
Foreign Investment Insurance

John Balint
Project Finance and Equity

Jean Beaulieu
Consumer Goods Team

James Brockbank
Risk Management

Rolfe Cooke*
Short-Term Financial Services

Corey Copeland
Communications

Peter Cowan
SME Services

Don Curtis*
Market Management

Stephen Dempsey
Industrial Equipment Team

June Domokos
Country Centre of Expertise

Patrick Escleine
Contract Insurance and Bonding/International Relations

Peter Foran
Information Technologies Team

Ruth Fothergill
Ontario Region

John Gagan
Corporate Finance and Control

A. Ian Gillespie*
Risk Management and Corporate Performance

Leslie Goodfellow
Financial Institutions Team

Glen Hammond
Western Region

Kevin Harris
Base and Semi-Manufactured Goods Team

Peter Hepburn
Project Finance and Equity

Catherine Hess
Forestry Team

Glen Hodgson
Government Relations and Corporate Policy

John Hutchison
Emerging Exporters Team

Paul Labbé*
President and Chief Executive Officer

Louise Landry
Corporate Planning

Marc Leduc
Legal Services

Clare Marshall
Treasurer

Mike McLean
Country Centre of Expertise

Keith Milloy
Short-Term Insurance

Michael Neals
Marketing

Sherry Noble
Engineering and Professional Services Team

Jim Olts
Economics

Toby Price
Quebec and Atlantic Region

Roger Pruneau*
Chief Financial Officer

Bruce Raby
Internal Audit and Evaluation

Gilles Ross*
Legal Services and Secretary

Léo Savoie
Financial Planning

Eric Siegel*
Medium- and Long-Term Financial Services

Ed Simac
Information Systems

Henri Souquières
Transportation Team

*** Executive Committee**

Board of Directors

(as at December 31, 1995)

Mr. Thomas A. Bernes
G-7 Deputy for Canada,
and Assistant Deputy Minister
International Trade and Finance Branch
Department of Finance
Ottawa, Ontario

Mr. William R.C. Blundell ●■❖✣
Corporate Director
Toronto, Ontario

Ms. Dorothy E. Byrne
Vice-President, Law and Regulatory
Affairs and Corporate Secretary
BC Telecom Inc.
Burnaby, British Columbia

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Callahan Construction Company Ltd.
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Mr. John W. Chomiak ◗
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Barristers & Solicitors
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Brumara Inc.
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Mount Pearl, Newfoundland

Mr. James A. Pattillo
President and Chief Executive Officer
XL Foods Ltd.
Calgary, Alberta

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Chairman of the Board and
Chief Executive Officer
The Electrolyser Corporation Ltd.
Toronto, Ontario

Mr. Robert G. Wright
Deputy Minister for International Trade
Department of Foreign Affairs
and International Trade
Ottawa, Ontario

★ *Chairman of the Board of Directors*
● *Vice Chairman of the Board of Directors*
■ *Chairman of the Audit Committee*
▲ *Members of the Audit Committee*
◆ *Chairman of the Executive Committee*
❖ *Members of the Executive Committee*
✱ *Chairman of the Compensation Committee*
✣ *Members of the Compensation Committee*
◗ *Members of the Business Development Committee*

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Minimize Risk

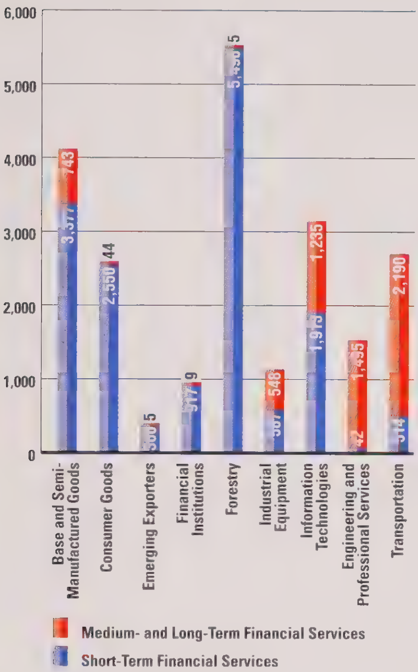
Export with Confidence

1996 Annual Report

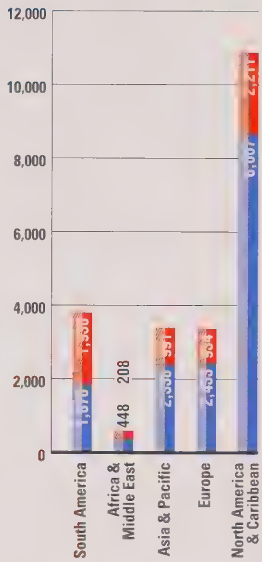
EDC
SEE

1996 Corporate Account Highlights

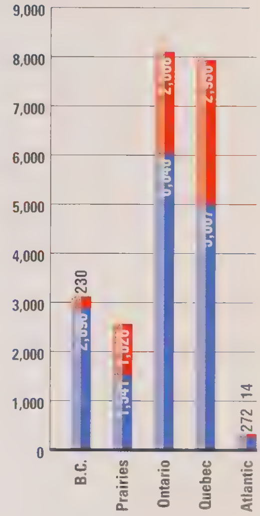
Business Volume By Industry Sector
($ in millions)



Business Volume By Geographic Market
($ in millions)

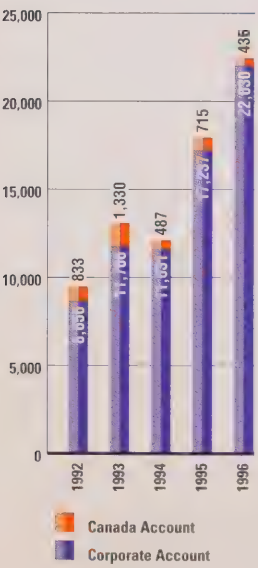


Business Volume By Domestic Region
($ in millions)

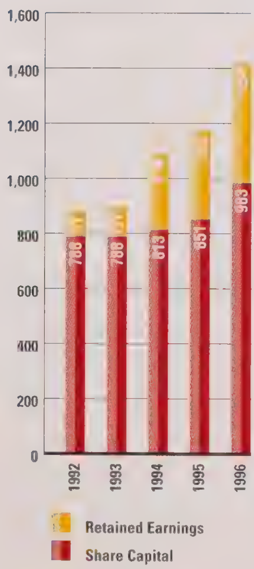


Five Year Review

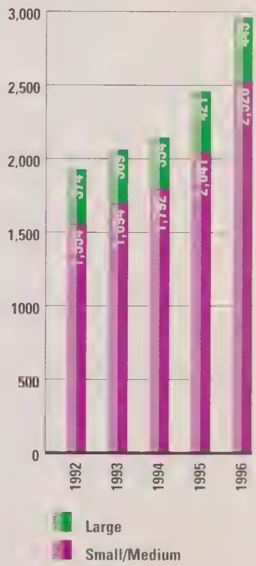
Business Volume
($ in millions)



Shareholder's Equity
($ in millions)



Customers Served
(number of companies)



1996 Performance Against Objectives†

Customer Satisfaction

Customer Satisfaction is fundamental to every aspect of our business. A component of our annual customer survey is the Customer Satisfaction Index (CSI) which rates our customers' overall satisfaction with EDC as well as their likelihood of recommending EDC to their business associates.

	1995 Actual	1996 Target	**1996 Actual**	1997 Target
CSI score (out of 10)	8.5	8.6	**8.8**	8.8

Customers Served

An increasing number of customers benefited directly from EDC services in 1996. EDC also supports exporters indirectly under joint programs with intermediaries, and these indirect customers are included in the 1997 Target (but not in the 1995 or 1996 actuals).

	1995 Actual	1996 Target	**1996 Actual**	1997 Target
Customers Served	2,462	2,900	**2,965**	3,600

Business Volume

A measure of our success in meeting the financial needs of our customers is the volume of business concluded during the year. The volume concluded under each of our programs increased in 1996, with the largest percentage growth, 72 percent, registered in our financing program.

	1995 Actual	1996 Target	**1996 Actual**	1997 Target
Total ($ in billions)	$17.2	$20.5	**$22.0**	$27.5

Productivity

Productivity is measured by the volume of business supported per dollar spent on administration. The 1996 results reflect both higher volumes and lower administrative expenses than projected. A more modest increase in our productivity ratio is targeted for 1997 as we expect to recruit additional staff to handle the growing base of business.

	1995 Actual	1996 Target	**1996 Actual**	1997 Target
Productivity Ratio	$302	$317	**$367**	$400

Financial Results

EDC recognizes the need to secure a solid financial foundation to ensure long-term competitive support to our customers. As such, we need to strengthen our capital base through higher levels of profitability in order to continue to grow our business and to take on more risk on behalf of our customers.

	1995 Actual	1996 Target	**1996 Actual**	1997 Target*
Net Income ($ in millions)	$44	$45	**$112**	$85

**Excludes debt relief receipts of $141 million which are anticipated pursuant to arrangements concluded by the Government of Canada.*

†Initial 1997 targets were set in the fall of 1996 in the context of developing EDC's Corporate Plan. New operational targets for 1997 were subsequently set by management for some of the measures, based on 1996 year-end results.

Executive Management Team

Paul Labbé
President and Chief Executive Officer

Rolfe Cooke
Vice-President,
Short-Term Financial Services

Don Curtis
Vice-President, Market Management

A. Ian Gillespie
Senior Vice-President,
Risk Management and
Corporate Performance

Katherine Payne
Vice-President, Human Resources

Roger Pruneau
Executive Vice-President
and Chief Financial Officer

Gilles Ross
Senior Vice-President,
Legal Services and Secretary

Eric Siegel
Senior Vice-President, Medium-
and Long-Term Financial Services

A World of Opportunity

A Window on the World

Whether your business is small or large, traditional or 'new economy', EDC's financial services help you expand your markets throughout the world, confident in the knowledge that your business is secure.

Our risk management services — insurance, financing and guarantees — minimize credit risk, support export sales with buyer financing, protect performance bonds, and enhance your access to new sources of working capital. The service is fast, personal and tailored to your needs.

EDC is committed to strengthening the competitiveness of Canadian exporters, and building long-term relationships with its customers and partners.

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Paul Labbé

President and Chief Executive Officer

Alexander K. Stuart

Chairman of the Board of Directors

Chairman and President's Message

BUILDING ON SUCCESS

The Export Development Corporation had another outstanding year in 1996, supporting a record volume of business while continuing to build its capital base and extend its capacity for risk.

The year marked another period of strong performance by Canada's exporters, with foreign sales growing a healthy seven percent to reach $267 billion. This is a significant achievement coming as it does after several years of rapid export growth on a rapidly expanding base. Canadians have once again proven themselves highly capable global traders, keeping their costs competitive and demonstrating the flexibility to break into new markets. As a direct result of their entrepreneurial spirit and effort, exports now account for a record 39 percent of Canada's Gross Domestic Product: a higher percentage than any other G-7 nation.

EDC is privileged to be a partner with Canadian business in this success. The Corporation met or exceeded all of its performance targets in 1996 while serving a record 2,965 customers – approximately 85 percent of which were Small- and Medium-sized Enterprises (SMEs). Overall business volume grew

28 percent to a record $22 billion; productivity – measured by exports supported per dollar spent on administration – increased 21 percent to $367; the Corporation's Customer Satisfaction Index rose significantly from 8.5 to 8.8 out of 10; and net income increased from $44 million to $112 million.

This is good news for Canadians in general and exporters in particular. Exports have been the major driver of jobs and growth in Canada over the past five years. During this time, the Government has increased its equity investment in EDC by $195 million, or 24 percent, while the Corporation has in turn increased its support to exporters by more than $71 billion, or 156 percent. EDC has generated a total of $434 million in retained earnings to its capital base, bringing total shareholders' equity to more than $1.4 billion. That is a strong return on the Government's investment – in terms of jobs, growth, exports supported and financial results.

EDC's balance sheet strength is necessary to better support the long-term competitive growth of Canadian exporters.

EDC's balance sheet strength is necessary to better support the long-term competitive growth of an ever-increasing number of exporters. Unlike many of its counterparts in other OECD nations, EDC does not draw on federal tax revenues to fund its ongoing activities. Its ability to support record numbers of exporters in a vast array of markets while maintaining robust financial health is a solid measure of its contribution to Canadian competitiveness.

OPPORTUNITIES ABOUND

Rapid economic growth and accompanying infrastructure needs are creating enormous opportunities for Canadian exporters around the world. Average growth rates in emerging markets are twice those of industrialized countries and are expected to remain so over the next 10 years. The consequent infrastructure demand is projected to reach $3 trillion by the end of the decade. Roughly two-thirds of growth in world imports over the next 25 years is expected to come from developing nations.

Canadian exporters in sectors such as transportation, telecommunications, energy, resource development, construction and engineering face almost unlimited demand. They have the expertise and experience to be highly competitive. Their major constraint is not markets or productive capacity, but access to ever larger pools of capital that are necessary to finance the mega projects.

Like governments almost everywhere, those in emerging markets are either unwilling or unable to assume additional debt. Through trade liberalization and privatization, they are increasingly looking to the private sector to provide infrastructure solutions, without sovereign backing. Indigenous corporations, often start-up ventures themselves, lack investment-grade credit ratings and either cannot access capital markets on their own, or cannot do so on acceptable terms. They in turn are

looking to suppliers to provide funding – both equity and debt. Financing has consequently become a critical factor alongside quality, price and delivery in determining the supplier of choice. In this highly competitive market, exporters unable to provide a financing package and participate in project sponsorship and management are increasingly viewed as non-starters. Canadian exporters, no matter what their size, are often at a disadvantage in this respect compared to enormous competitors from the United States, Europe and Japan.

Moreover, the long-term nature of major projects implies that suppliers able to get in on the ground floor will enjoy sustained competitive advantages, while those less successful in the early stages may eventually find themselves shut out. Capital projects often involve options for extension and ongoing participation. Initial contractors have inherent advantages in terms of relationships, project-management experience and accompanying know-how. Substantial benefits to SMEs also accrue through sub-supplier relationships: EDC estimates that the 2,965 exporters it supported directly in 1996 used more than 18,000 sub-suppliers, 90 percent of which were SMEs. Many of these in turn use their experience working on foreign contracts as a stepping stone to exporting.

STRATEGIC SUPPORT

The strategic value of securing strong Canadian footholds in emerging markets cannot be overstated: these countries have huge demands for what Canada can supply and they have the highest growth potential in the world.

Responding to a strong demand for exports to higher-risk emerging markets, EDC supported more than $5 billion in exports to higher-risk markets in 1996, an increase of almost $1 billion over the previous year. EDC also reduced restrictions on insurance coverage in 33 higher-risk markets. This illustrates the vital role the Corporation is playing in helping Canadian exporters crack these high-potential markets.

Coupled with this geographic diversification has been a shift from sovereign to commercial risk. Almost all of the Corporation's new lending is to commercial or quasi-commercial entities, often on a limited recourse basis. This means that rather than relying on government guarantees as in the past, EDC is extending financing based on the future cash flows of the projects themselves. This is considerably more complex and risky than the Corporation's traditional sovereign lending, and is another reason why EDC's continued balance sheet strength is critical to supporting Canadian exporters in the future.

Through a special project-finance team, EDC concluded 12 limited-recourse transactions in 1996 valued at more than $685 million. The Corporation's Treasury Department, which has proven very successful in multi-currency borrowing and hedging operations while maintaining optimum cost of funds, has made a key contribution in this respect. EDC also continues to evolve and improve its risk-management capacity to ensure an appropriate balance between risk and return while complementing the activities of private-sector intermediaries.

HELP FOR SMALLER EXPORTERS

As a priority for 1996, the newly restructured EDC aimed to offer top-quality service to an increasing number of customers. Nine specialized customer teams, focusing on major sectors of the export economy, were designed to provide clearer customer focus, satisfaction and responsiveness – and we are pleased that the rise in our Customer Satisfaction Index clearly reflects strong approval of our approach.

Small- and medium-sized enterprises are a growing priority for EDC, which not only has a dedicated customer team, but also a special division devoted to their particular needs. SMEs are the principal job-creation engine of the economy, and assisting them to export is essential to sustaining their growth.

EDC directly supported more than 2,500 SMEs in 1996, 23 percent more than the previous year. More than 1,600 were emerging exporters with export sales of less than $1 million. The volume of SME exports rose 36 percent to $3.9 billion in 1996, into 90 percent of the 137 countries to which EDC supports exports. During the past five years, EDC has provided $12.5 billion in support to SMEs. In addition, nearly 140 of EDC's smaller customers grew their export sales to more than $1 million, an encouraging trend that shows how quickly these firms can accelerate after breaking new ground.

EDC is playing a vital role in helping Canadian exporters crack higher-risk, high-potential, emerging markets.

EDC is also partnering with other financial institutions to find new ways to support SME growth. One of the new products and services specifically designed for SMEs is MARG – an acronym for a program called Master Accounts Receivable Guarantee. MARG was launched in cooperation with Canadian financial institutions to give smaller exporters access to increased lines of credit by using their EDC guaranteed foreign accounts receivable as bank security. In its first year, MARG provided 70 smaller exporters with more than $11 million in working capital financing.

EDC continued to work closely with Northstar Trade Finance Inc., which specializes in financing smaller scale export sales with credit risks covered by EDC insurance, and partnered late in the year with CIBC to introduce the Grow Export program. This 50/50 shared-risk initiative targets knowledge-based businesses with annual sales of less than $25 million.

PEOPLE MAKE IT HAPPEN

We cannot forget that success is only made possible through the expertise and hard work of individuals. This was particularly true for EDC in 1996, when it introduced significant innovations to business practices while at the same time handling record volumes of business transactions. The dramatic increase in the Corporation's productivity statistics alone cannot adequately reflect the time, effort and dedication of the EDC employees who made it all happen. EDC is a relatively small corporation in terms of the number of employees, and we owe them a debt of gratitude for a job well done in difficult circumstances.

> *Mobilizing the equity and capital pools necessary for large export projects is a major challenge facing Canadian business.*

To ensure that the Corporation can attract and retain the highly skilled staff necessary to support future export growth and more complex risk assessments, EDC introduced a new compensation framework in 1996. The framework includes incentive pay tied directly to corporate performance against specified goals (set out at the beginning of this report), and base pay tied to market rates and individual skills and performance. These changes align EDC's practices much more closely with those of private-sector financial institutions – with which it competes for talent – and recognizes the very specialized skill sets and competencies the Corporation requires.

EDC's success in 1996 was also the result of the efforts of its dedicated and active Board of Directors. During 1996, R.D. Doucett became a new member of the Board. We also wish to recognize the contributions of directors that retired from the Board – John Chomiak and Jane Martin. We wish to thank all members of the Board for their efforts in achieving a successful year.

In response to new Guidelines for Corporate Governance in Crown Corporations and Other Public Enterprises – issued at the end of 1996 by the Department of Finance and Treasury Board of Canada – EDC has established a Corporate Governance Committee of the Board of Directors to assist the Board in developing its own approach to governance issues at EDC.

LOOKING AHEAD

There is no doubt that Canadian exporters have had a highly successful year in 1996, and forecasts project healthy and steady export growth. As noted earlier, however, mobilizing the equity and capital pools for large export projects may be one of the key challenges preventing Canadian business from getting involved in exporting or taking full advantage of the opportunities that are clearly emerging.

EDC can and will continue to help exporters meet new challenges by developing and participating in tailor-made financing structures, often including debt or equity financing support to individual projects, and joint ventures or projects involving innovative long-term leasing arrangements rather than the more traditional financing of an outright sale. The Corporation will also continue to seek new ways to partner with other financial intermediaries, public and private, to improve service and support to Canadian exporters of all sizes. The recently formed Council of Crown Financial Institutions is one such example of efforts to ensure streamlined and effective support for Canadian business.

Fostering the global expansion of Canadian enterprise may well require new ways of doing business, including innovative strategic alliances as well as new partnerships. Whatever the direction, EDC will continue meeting the changing needs of global markets and Canadian exporters with vigour, while delivering the highest possible value to its shareholders – the Canadian public.

Alexander K. Stuart
Chairman of the Board of Directors

Paul Labbé
President and Chief Executive Officer

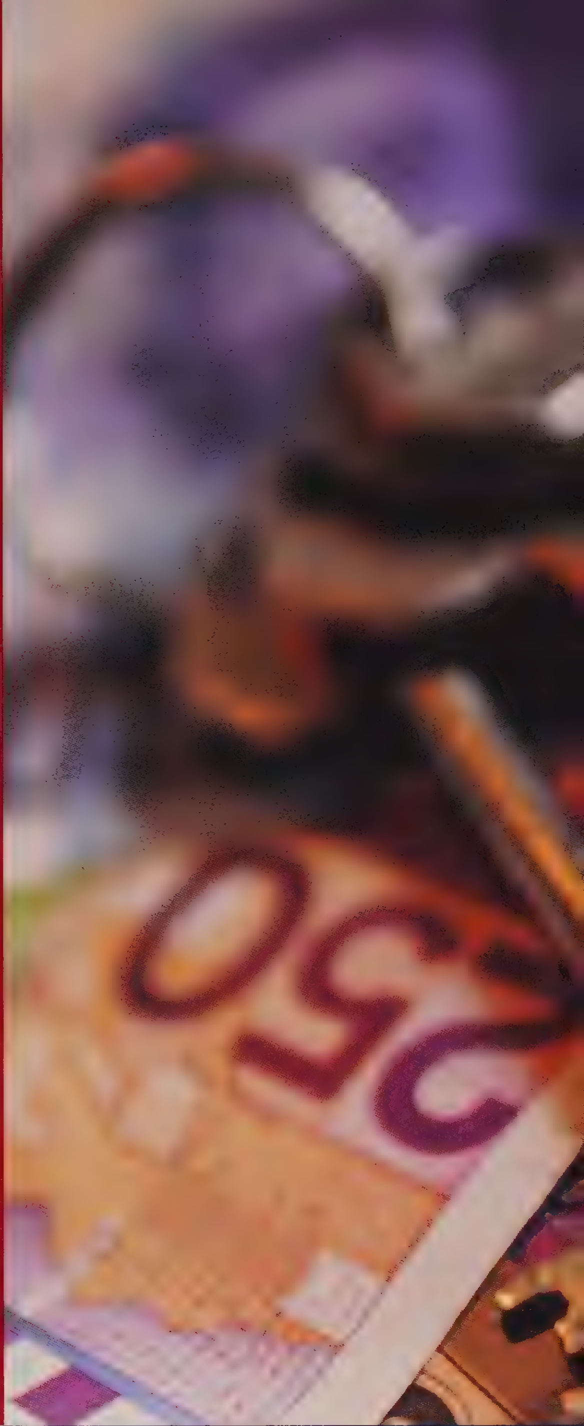
Small- and Medium-sized Enterprises (SMEs) are driving Canada's economy, creating most of our new jobs. SMEs also account for 95 percent of known exporters.

To better serve this key business segment, EDC launched the SME Financial Services Team as part of its SME Services Group, to deliver medium-term export financing solutions to SME capital goods and services exporters.

The Emerging Exporters Team, which serves almost 60 percent of EDC's customer base, continues to deliver export credit insurance to firms exporting up to $1 million per year. In 1996, the team's client base grew by 15 percent, while it supported $354 million in exports.

SME-oriented initiatives in 1996 included: a new partnership with the CIBC's Grow Export program, a 50/50 shared-risk initiative for knowledge-based industries; a streamlined process for SMEs requiring performance bonds that cuts processing time in half; and increased operating capital through EDC's Master Accounts Receivable Guarantee (MARG) program.

Overall, EDC supported $3.9 billion in export business by SMEs in 1996, up from $2.8 billion last year. The number of SME customers increased by 23 percent, and these companies sold into more than 120 countries.



"The bottom line is that more SMEs are doing more business in more markets with EDC in their corner. We are determined to do even better in the future!"

John Hutchison, Vice-President,
SME Services Group and Team Leader,
Emerging Exporters Team

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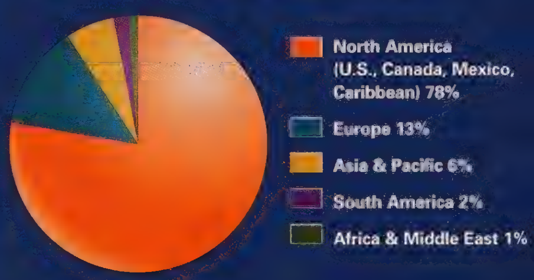
e-mail: hutcjo@edc1.edc.ca

Emerging Exporters Team Business Volume by Region



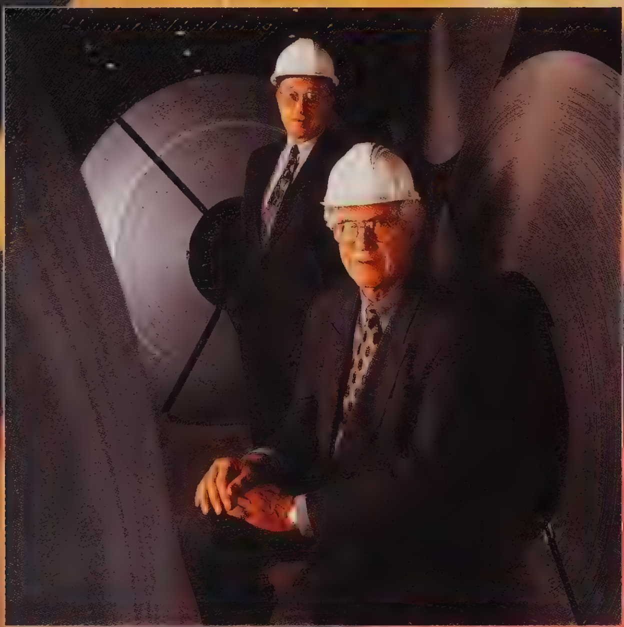
Key to Smaller Exporter Success

Lobster fishery, Newfoundland.

"EDC is very instrumental when it comes to the export marketplace, and provides security when it comes to getting financial help from the bank."

Albert Etheridge, President, Cape Spear Export, St. John's, NF

Exploring Global Opportunities



Leslie Lasky and Robert Raphael,
Parkdale International Limited, Ontario.

"EDC has proven to be a strong partner and resource for Parkdale, and has assisted in expanding our export sales, particularly to the U.S. market."

Leslie D. Lasky, General Manager, Parkdale International Limited, Hamilton, ON

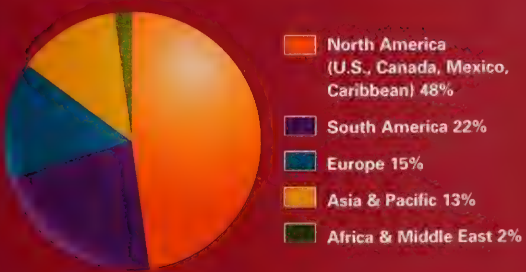
Base and semi-manufactured goods are a major contributor to Canada's export economy. Metals, minerals and coal, which represent 58 percent of the 1996 business volume supported by EDC in this sector, have a significant economic impact since Canada is a leading exporter of coal, asbestos, elemental sulphur and potash, and a leading producer of copper, nickel and zinc.

Chemicals, including fertilizers and pesticides, represent one of Canada's largest manufacturing sectors. This sub-sector accounts for 22 percent of 1996 exports supported by EDC in the base and semi-manufactured goods sector. Other exports backed by EDC's seven-member team serving this sector include plastics, textiles and refined petroleum.

EDC's Base and Semi-Manufactured Goods Team supported more than $4 billion in exports in 1996. More than 80 percent of EDC's 1996 business volume in this sector was in the form of credit insurance. Foreign investment insurance and financing account for 13 percent and five percent respectively.

Small- and medium-sized enterprises represent 61 percent of the Base and Semi-Manufactured Goods Team's 1996 customer base, and 14 percent of the team's 1996 business volume.

Business Volume by Region



"We expect the U.S. will remain the primary market for Canadian base and semi-manufactured goods exports and, since credit risks are likely to stay high in that market, it will remain a key generator of business and claims for EDC."

Kevin Harris, Team Leader,
Base and Semi-Manufactured Goods Team

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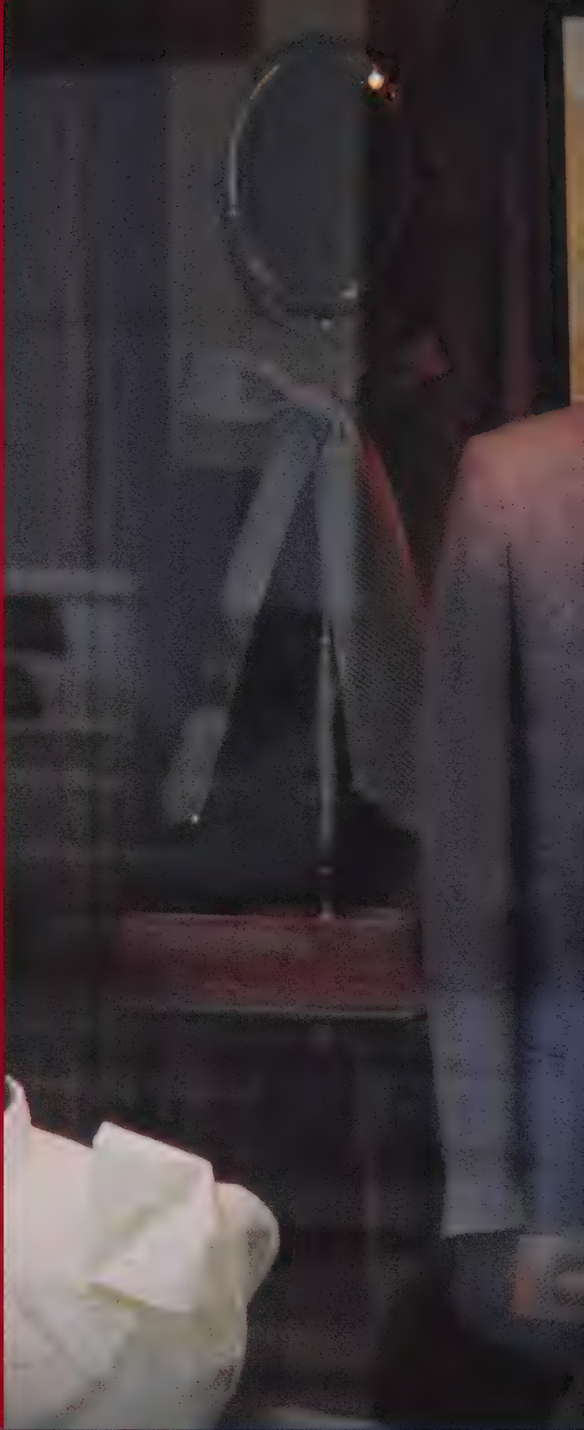
e-mail: harrke@edc1.edc.ca



Consumer goods have been one of Canada's key exports for 50 years. Today, two main product groups — consumer goods and miscellaneous manufactured products, and agri-food — rank respectively as Canada's sixth- and seventh-largest export sectors.

In 1996, EDC's eight-member Consumer Goods Team supported almost $2.6 billion in exports. One of our most diverse industry sectors, consumer goods exports supported by EDC range from clothing, furniture and household electrical products to meat, fish and grains. Top subsectors in terms of the team's 1996 business volume are miscellaneous manufactured goods, 24 percent; clothing, 21 percent; meat, 14 percent; and furniture and fixtures, 14 percent.

The Consumer Goods Team supports its exporters almost entirely in the form of credit insurance, which accounts for more than 98 percent of the team's 1996 business volume. Foreign investment insurance and medium-term insurance account for the remaining portion.

Small- and medium-sized enterprises represent 72 percent of the Consumer Goods Team's 1996 customer base, and 30 percent of the team's 1996 business volume.

"Although the growth of Canada's consumer goods sector is expected to decline, we anticipate growing EDC's business volume in this sector – customers are recognizing that to leave their accounts receivables unprotected is risky business."

Jean Beaulieu, Team Leader,
Consumer Goods Team

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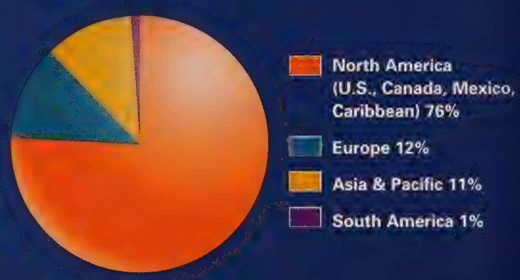
e-mail: beauje@edc1.edc.ca

Business Volume by Region



Shopping Export Opportunities

Unibroue Inc., Quebec.

"We've greatly appreciated EDC's support every step of the way, since we first started exporting. By securing payment, EDC frees us to concentrate on our main mission, which is brewing."

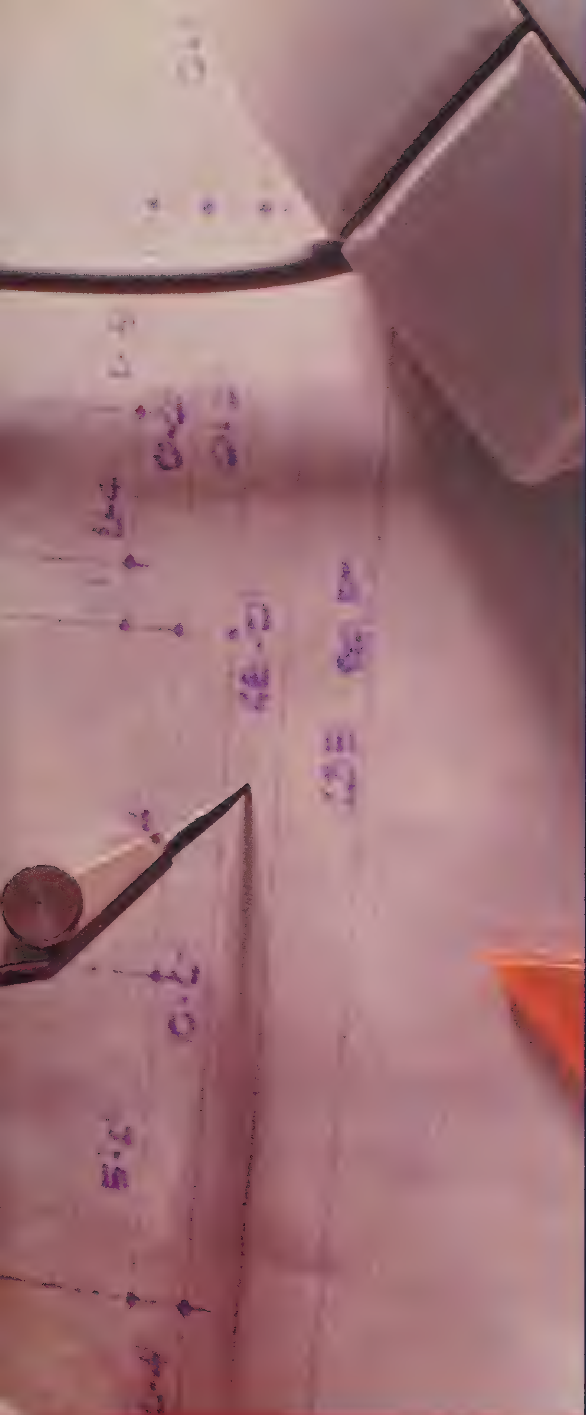
André Dion, President, Unibroue Inc., Montreal, QC

Engineering Export Success

Sandwell's Collahuasi project site, Chile.

"EDC's insurance products are vital to Sandwell expanding its international turnkey contracting activities."

Alan Pyatt, Chairman, President & CEO, Sandwell Inc., Vancouver, BC



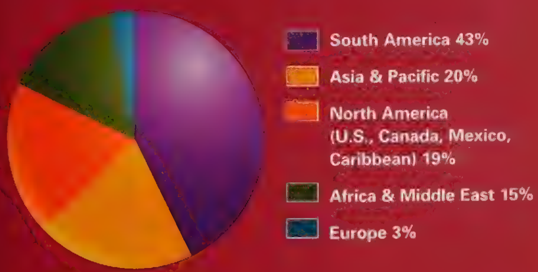
Increasing at an average annual rate of about 10 percent, business and professional services exports represent a high-growth sector for Canada. Not only is this a diverse sector that touches many other industrial sectors, but it is also one of the most diverse in terms of export markets.

In 1996, EDC's 30-member Engineering and Professional Services Team supported more than $1.5 billion in exports. Energy services account for a significant 42 percent of the team's 1996 business volume, followed by engineering at 35 percent. Other areas supported by EDC in 1996 include trade contracting and construction.

EDC's Engineering and Professional Services Team supports Canada's services exporters through a full range of financial services. Foreign investment insurance was most in demand in 1996, and accounts for 51 percent of the team's business volume for the year, while financing accounts for 33 percent. Medium- and short-term insurance account for 13 and three percent respectively.

Small- and medium-sized enterprises represent 69 percent of the Engineering and Professional Services Team's 1996 customer base, and account for 32 percent of the team's 1996 business volume.

Business Volume by Region



"We expect Canadian engineering, energy and construction companies will continue their successful involvement in projects in non-OECD markets, where EDC's foreign investment insurance, bonding and financing programs can be critical."

Sherry Noble, Team Leader,
Engineering and Professional Services Team

1-888-332-3320 Fax: (613) 598-3167
e-mail: noblsh@edc1.edc.ca

The majority of Canada's export trade is conducted on short-term credit, much of it through international banks using irrevocable Letters of Credit (LCs). For exporters entering riskier markets, financial institutions frequently require additional security before they'll confirm LCs. That's where EDC's Financial Institutions Team steps in.

Working with Canadian financial institutions to support exporters in higher-risk markets, this eight-member team supported close to $1 billion worth of LC transactions in 1996. The team also provides assessment and analysis of the creditworthiness of foreign banks for short-term insurance LC transactions carried out by EDC's other business teams.

EDC's Financial Institutions Team is not sector-specific, supporting all goods and services sold on LC terms. A full 99 percent of the team's 1996 business volume is short-term insurance, with coverage via Documentary Credits Insurance policies, issued to financial institutions in support of Canadian exporters receiving payment through LCs.

"Expanding into new markets is often the key to achieving growth in today's competitive marketplace. Our team is always willing to look at new ways of supporting financial institutions, so they in turn can support exporters venturing into new territory."

Leslie Goodfellow, Team Leader,
Financial Institutions Team

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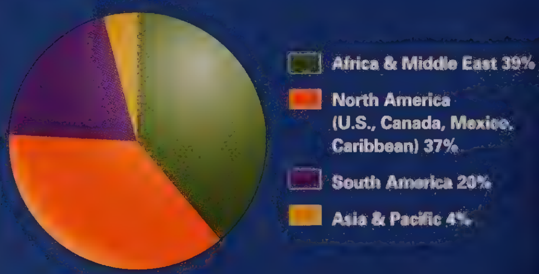
e-mail: goodle@edc1.edc.ca

Business Volume by Region



Banking on Global Markets

Peter Wren and Pierre Lambert, Bank of Montreal.

"Our financial partnerships with EDC, including documentary credits insurance and structured trade finance, allow us to better serve the evolving needs of Canadian exporters."

Peter J. Wren, Managing Director, Trade Finance, Bank of Montreal, Toronto, ON

Growing Forestry Exports

St. Laurent Paperboard Inc., Quebec.

"EDC is a real business partner for St. Laurent Paperboard — a partner that has given us the opportunity to export our paperboard products to many new countries."

Mary L. Dykeman, Credit Manager, St. Laurent Paperboard Inc., Montreal, QC

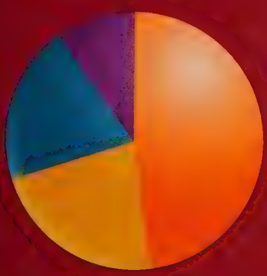
Generating more than $35 billion in exports annually, Canada's forest products industry remains the largest net contributor to our balance of trade and our second largest export (behind automotive). Canada is the world's largest exporter of forest products. Indeed, the industry relies on export markets to thrive as the domestic market is relatively small.

In 1996, EDC's 10-member Forestry Team supported more than $5.5 billion worth of sales by exporters of forest products. Traditionally, Canada's forestry exporters are most concerned with insuring short-term receivables in volatile commercial markets. Accordingly, short-term insurance accounted for almost 100 percent of EDC business volume in this sector.

EDC's Forestry Team supported a wide range of exports in 1996. The top three subsectors in terms of 1996 business volume are lumber, 39 percent; paper, 30 percent; and pulp, 29 percent.

Small- and medium-sized enterprises represent 61 percent of the Forestry Team's 1996 customer base, and 12 percent of the team's 1996 business volume.

Business Volume by Region



"Our focus in 1997 will be on establishing new partnerships with key industry players, as well as providing support to smaller companies looking to get into new export markets, perhaps as a result of the softwood lumber agreement."

Cathy Hess, Team Leader, Forestry Team

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Industrial equipment is Canada's third largest export industry, accounting for 14 percent of Canadian exports.

Exports supported by EDC's 28-member Industrial Equipment Team are diverse, including machinery and equipment related to power, and oil and gas industries; construction; mining and forestry; and specialized industries such as automotive tooling, mould manufacturing, rubber and plastics. Of the team's 1996 business volume, the machinery subsector (including construction machinery) accounts for 60 percent, followed by energy equipment at 33 percent.

EDC's Industrial Equipment Team backed more than $1 billion worth of business in 1996. Historically, EDC support for exporters in this sector has been primarily in the form of credit insurance. This trend has continued, as credit insurance accounts for 52 percent of 1996 business volume supported by the team. However, demand for financing is increasing, and totals a significant 36 percent of the 1996 volume. Medium-term insurance accounts for the remainder.

Small- and medium-sized enterprises represent 74 percent of the Industrial Equipment Team's 1996 customer base, and 42 percent of the team's 1996 business volume.

"Our industry focus enables us to better understand and meet the needs of our customers. This translated into increased support for the IE sector during 1996, and we expect our 1997 business volume to be more than double our 1995 results."

Stephen Dempsey, Team Leader,
Industrial Equipment Team

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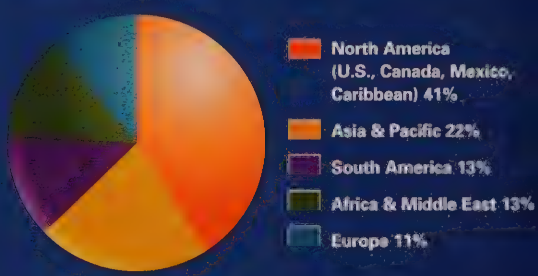
e-mail: dempst@edc1.edc.ca

Business Volume by Region



Geared to Industrial Growth

Complete Package Technology Ltd., Alberta.

"Being able to insure projects with EDC has enabled Complete Package Technology Ltd. to expand its market area to the Middle East."

Jim Cannell, President, Complete Package Technology Ltd., Edmonton, AB

Making Global Connections

MDS Aero Support Corporation, Quebec.

"Many of our international projects require long-term capital financing and EDC is willing to structure financing arrangements around the conditions imposed by the client."

Hans Odoerfer, President, MDS Aero Support Corporation, St-Laurent, QC

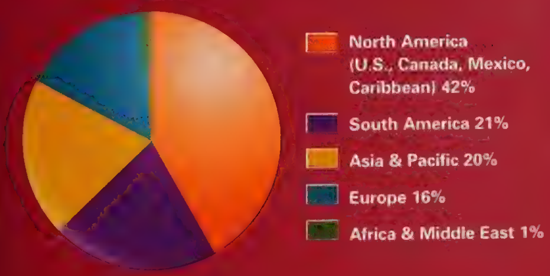
Information technologies, the world's fastest-growing economic sector, is expected to yield international revenues of more than $3.2 trillion by the year 2000. With an estimated world market share of three percent, Canada is renowned for its innovative IT products and services, particularly in the area of telecommunications.

In 1996, EDC's 26-member Information Technologies Team supported more than $3 billion in exports by 160 customers. Telecommunications equipment accounts for nearly 40 percent of the team's 1996 business volume, followed by electronic parts at 26 percent. Other products supported included computers and related components, at 11 percent each; instrumentation, eight percent; and software and services, six percent.

EDC's Information Technologies Team supported its customers primarily through short-term insurance, which accounts for 61 percent of its 1996 business volume, followed by financing services which accounts for 29 percent. Foreign investment insurance and medium-term insurance account for the remaining business volume, at six and four percent respectively.

Small- and medium-sized enterprises represent 72 percent of the team's 1996 customer base, and 15 percent of its 1996 business volume.

Business Volume by Region



"Information technology touches on almost every other industry, improving competitiveness, streamlining processes, saving time and money. As a result, the potential for growth in this sector is virtually limitless."

Peter Foran, Team Leader,
Information Technologies Team

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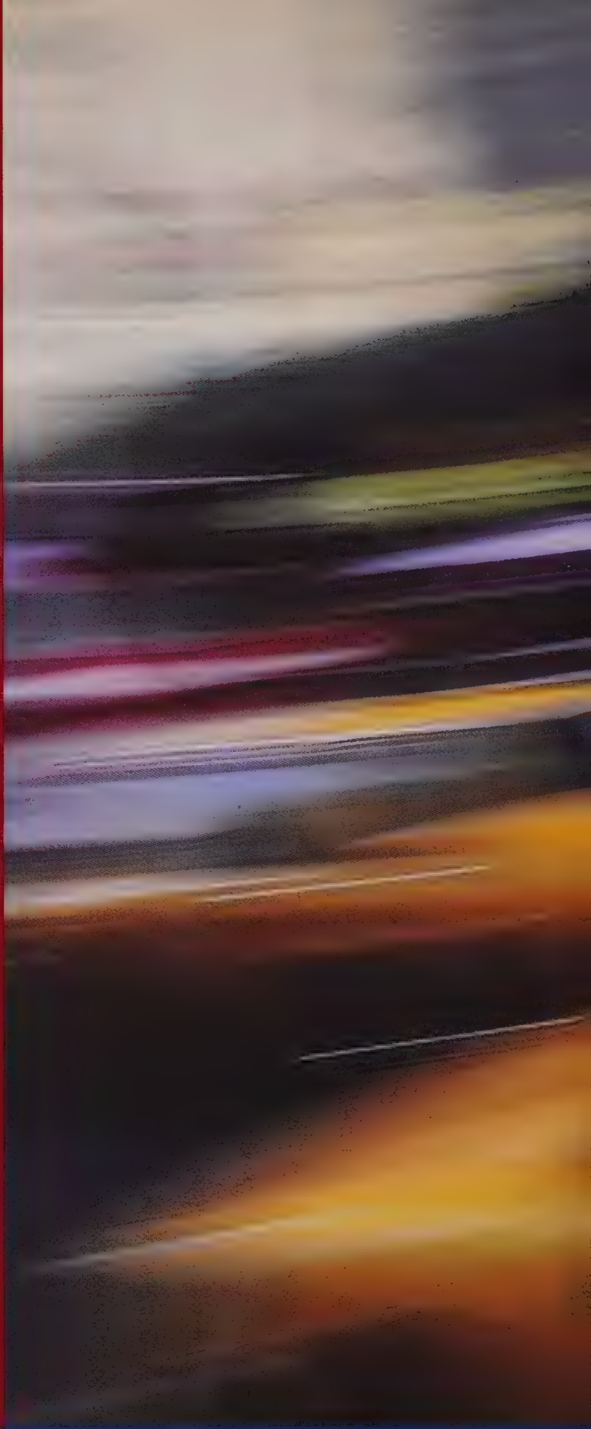
The transportation sector continues to have a tremendous impact on Canada's economy. It incorporates rail, automotive — Canada's largest manufacturing industry and largest export — and the aerospace industry, which is ranked sixth in the Western world. Shipbuilding and transportation equipment and services also fall within this important sector.

Both aerospace and automotive represent significant portions of the Transportation Team's 1996 business volume, accounting for 25 and 12 percent respectively. The biggest growth occurs in the rail sector, up from four percent in 1995 to 56 percent in 1996.

EDC's Transportation Team supported well over $2.5 billion in exports in 1996, primarily through financing, which accounts for 61 percent of 1996 business volume handled by the 30-member team. Short- and medium-term insurance account for 19 percent each, while foreign investment insurance makes up the balance.

Small- and medium-sized enterprises represent 53 percent of the Transportation Team's 1996 customer base, and just over three percent of the team's 1996 business volume.



"There is a growing demand for financing in the transportation sector — our goal is to continue to meet customers' needs with innovative financing structures, at the lowest possible cost to the buyer."

Henri Souquières, Team Leader, Transportation Team

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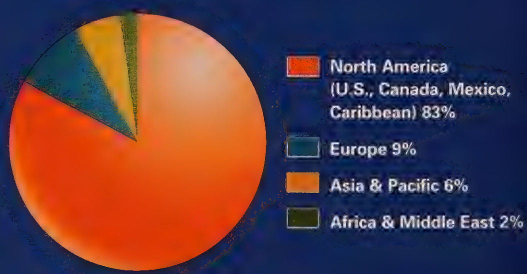
Business Volume by Region



Accelerating Export Growth

Autocar Dupont Inc., Quebec.

"EDC is responsible for our success in exporting to the United States. Without EDC's help, we would not get the necessary bonding. People at EDC really care, and it shows."

Jean Dupont, Vice-President, Sales, Autocar Dupont Inc., Quebec City, QC

Navigating Global Markets

There is an increasing need for financial institutions to provide services that match the risk profile of emerging markets. EDC's response to this growing demand for competitive financing was to provide an additional $1.5 billion in financing in 1996, specifically for higher-risk markets.

It's critical that exporters fully understand the commercial and political risks — as well as the opportunities — inherent in the global marketplace. Because EDC supports exporters throughout the world, our business teams rely on a network of internal resources to help build international relationships and provide up-to-date information on country risks and opportunities.

International Markets develops proactive country strategies, establishes and manages key foreign relationships, represents EDC in country-based fora, and works with business teams to realize opportunities in key markets.

Economics provides country risk analysis and continually scans the export environment. Through EDC's "Let's Talk Risk" workshops, Economics shares its analysis of global markets and advises exporters about the risks and opportunities arising in those markets.

International Relations manages EDC's participation in the OECD Consensus and membership in the Berne Union. Through these two fora, EDC works to bring greater market discipline to the international rules governing official export credit support. These efforts aim to ensure EDC can continue to provide Canadian exporters with the kind of export credit support they need to compete in world markets.

Legal Services, with its broad and diversified internal expertise and a wide network of external legal resources for matters of foreign law, provides the business teams with the advice and documentation required to structure financial arrangements in support of export transactions.

Specialized Customer Support Teams:

- Contract Insurance and Bonding
- Corporate Finance and Control
- Credit Surveillance and Analysis
- Foreign Investment Insurance
- Industrial Advisory Services
- Project Finance and Equity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1996 Financial Review

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Management's Discussion and Analysis

EXPORT ENVIRONMENT

During the 1990-1995 period, Canadian exports grew by an impressive 12% on average annually which we don't expect will be sustained over the 1997-2001 period. Overall, Canadian exports are forecast to grow by just over 8% per year during the five year planning period. Softening demand in the key U.S. market is the main factor in this slower growth outlook. In addition, ongoing fiscal retrenchment and business rationalization will act as a drag on Canadian exports to the European economy over the near term. At the same time, exports to Japan will continue to feel the effects of the shift to off shore production in the domestic industrial sector. Emerging Asia is the strongest market in terms of export growth potential, followed closely by Latin America. Recent fiscal problems in Latin America have delayed by a year or so the improved growth expected from this region.

The Canadian dollar will likely appreciate in value over the next twelve months. Additionally, stronger global competition, particularly from the low cost developing nations, will require Canadian exporters to redouble their efforts at improving their relative cost competitiveness. The continued fight against trade restrictions will need to be re-emphasized on non-tariff barriers as their use increases over the next decade.

The United States remains Canada's largest export market with an 80% share of total exports. We expect the U.S. economy to perform well in 1997, but with an increased possibility of a slower growth over the next five years. The past trend of improvement in Canada's relative cost competitiveness fueled by declining exchange rates and unit labour costs may not continue in the near term. In addition, the inflation focus of the U.S. Federal Reserve will keep price growth in check, thereby limiting growth in exports of consumer goods and other intermediate industrial products. Recent quotas on Canadian softwood lumber exports are expected to push lumber prices up by 10 to 20%, essentially offsetting the inherent declines in export volumes dictated by the quotas. A strong growing season has elevated wheat production considerably in recent months, however, prices are not expected to fall in the near term as demand remains strong.

Western Europe holds fast as Canada's second largest market despite losing some importance during the recent European recession. Currently, close to 7% of Canadian exports are destined for Western Europe, down from 10% in 1990. Strong commodity prices in 1995, particularly for forestry products, significantly increased the value of Canadian exports to this region. We expect exports to the region to grow annually by close to 9% on average during the planning period, a significant improvement over the 3% annual growth registered over the 1990-1995 period. However, moderation in the prices of some key export commodities, notably market pulp, and the recent weakness in the German and French economies have dimmed the near term export prospects.

Exports to Japan, Canada's third largest export market, are expected to grow by more than 7.5% over the 1997-2001 period, roughly equal to the rate seen in the previous five-year period. However, the persistent recession of the Japanese economy over the past two years has contributed to a decline in the share of Canadian exports to that market. Currently, just under 5% of Canadian exports go to Japan. As with Western Europe, moderation in the prices of some key export commodities will play an important role in the growth of exports to Japan over the near term. The slow recovery now being seen in the Japanese economy will help counter these effects. The continued relocation of Japanese production to offshore locations will partially offset an improved domestic Japanese economy.

The Asian economies (excluding Japan) continue along a strong growth path, providing a market of increasing demand for Canadian exports. Exports to Asian markets are expected to grow significantly during the planning period by 15% on average annually, up from 12.5% registered over the previous five-year period.

Latin America stands as Canada's fifth largest export destination. While recent problems in the largest economies of Mexico, Brazil and Argentina are adding to the risks in this region, some positive structural reforms are continuing. An increased demand for Canadian products is expected as key agreements on trade liberalization in Latin America provide new export opportunities. Overall, we expect Canadian exports to this region to continue to grow by an average rate of 13% annually.

PERFORMANCE AGAINST OBJECTIVES

EDC's vision of Doing More Business with More Customers in a Financially Sound Manner is tracked by way of a number of performance measures. These measures have been updated from the ones presented in the 1997 Corporate Plan to reflect increased estimates based on the final results for 1996.

Customer Satisfaction

Customer Satisfaction is fundamental to every aspect of our business. A component of our annual customer survey is the Customer Satisfaction Index (CSI) which rates our customers' overall satisfaction with EDC as well as their likelihood of recommending EDC to their business associates. The 1996 result was achieved through outstanding efforts and it represents a remarkable level of accomplishment. Since our customers' expectations grow over time and the impact of EDC's actions take time to translate into higher CSI scores, the 1997 target remains at a very high 8.8.

	1995 Actual	1996 Target	**1996 Actual**	1997 Target
CSI score (out of 10)	8.5	8.6	**8.8**	8.8

Customers Served

An increasing number of customers benefited directly from EDC services in 1996. EDC also supports exporters indirectly under joint programs with intermediaries, and these indirect customers are included in the 1997 target (but not in the 1995 or 1996 actuals or the 1996 target). The 1996 actual achieved was a 20% increase over 1995 and was 2% over the 1996 target. Eighty-five per cent of the 1996 actual were small and medium sized enterprises, a 23% increase over 1995.

	1995 Actual	1996 Target	**1996 Actual**	1997 Target
Customers Served	2,462	2,900	**2,965**	3,600

Business Volume

A measure of our success in meeting the financial needs of our customers is the volume of business concluded during the year. The volume concluded under each of our programs increased in 1996, for a total increase of 28% over 1995 and 7% over the 1996 target. This rapid increase is again planned for in 1997.

($ in billions)	1995 Actual	1996 Target	**1996 Actual**	1997 Target
Short-term	13.0	15.2	**15.7**	19.2
Medium- and Long-term	4.2	5.3	**6.3**	8.3
Total	$17.2	$20.5	**$22.0**	$27.5

Productivity

Productivity is measured by the volume of business supported per dollar spent on administration. The 1996 results reflect both higher volumes and lower administrative expenses than projected. A more modest increase in our productivity ratio is targeted for 1997 as we expect to recruit additional staff to handle the growing base of business.

	1995 Actual	1996 Target	**1996 Actual**	1997 Target
Productivity ratio	$302	$317	**$367**	$400

Financial Results

EDC recognizes the need to secure a solid financial foundation to ensure long-term competitive support to our customers. As such, we need to augment our capital base through retention of net income in order to meet the growing demands of our customers and to take on more risk on their behalf.

($ in millions)	1995 Actual	1996 Target	**1996 Actual**	1997 Target
Net Income	$44	$45	**$112**	$226

Net income for 1996 exceeded the 1996 target largely as a result of higher investment income and lower administrative expenses than planned. The 1997 target includes the estimated impact of debt relief receipts of $141 million which are anticipated pursuant to arrangements concluded by the Government of Canada.

OPERATING HIGHLIGHTS

INCOME STATEMENT DISCUSSION

Net Income

Net income reported for 1996 was $112 million, an increase of $68 million over the 1995 level of $44 million. The higher profit for 1996 was the result of a reduced provision for loan losses and increased investment income compared to the previous year. As well, net income for the year exceeded the 1996 Corporate Plan's estimate of $45 million by $67 million. The following table outlines net income and return on shareholder's equity over the last five years.

($ in millions)	**1996**	1995	1994	1993	1992
Net income	**112**	44	171	41	44
Shareholder's equity	**1,417**	1,173	1,091	895	879
Return (%) on shareholder's equity	**7.9**	3.8	15.7	4.6	5.0

Throughout this period, 1996 is the first year wherein cash payments received from impaired borrowers and debt relief payments from the Government of Canada have not increased loan revenues, and yet the Corporation experienced its second best return on shareholder's equity in the last five years.

During 1996, cash provided from operations amounted to $288 million, a decrease of $130 million over the 1995 level of $418 million. The decrease approximates receipts on impaired loans which were formerly included in income and amounted to $116 million in 1995. These receipts do not affect interest earned in 1996 as a result of the adoption of new accounting standards for impaired loans.

Net Interest Income

For 1996, net interest income was $353 million on average assets employed of $11,659 million yielding a net margin of 3.03%. The net margin is defined as net interest income expressed as a percentage of average assets employed.

Net interest income declined $64 million from the level of $417 million experienced in 1995. The following table illustrates net interest income and average assets employed over the last five years.

($ in millions)	**1996**	1995	1994	1993	1992
Average gross loans receivable	**10,207**	9,906	9,161	8,306	7,533
Average cash, marketable securities and investments	**1,452**	1,278	1,591	1,622	1,061
Total average assets employed	**11,659**	11,184	10,752	9,928	8,594
Interest income:					
Loan interest earned	**633**	759	704	498	517
Loan fees earned	**58**	57	51	58	42
Investment income	**110**	75	38	92	62
	801	891	793	648	621
Interest expense	**448**	474	437	427	399
Net interest income	**$353**	$417	$356	$221	$222

In 1996, the Corporation adopted the new accounting standards for impaired loans and changed the method by which cash receipts for impaired loans from either impaired borrowers or the Government of Canada through debt relief are applied. Commencing in 1996, no portion of cash received for impaired loans is recorded as interest earned until such time that any specific allowance has been reversed. Prior to 1996, large payments were received for impaired loans and significantly increased loan interest earned. In 1995, interest earned from cash payments from impaired borrowers and the Government of Canada for debt relief was $116 million and $11 million respectively. The following adjusted net interest income excludes interest earned from impaired loans as disclosed in previous Financial Statements. Therefore, adjusted net interest income includes interest earned for only performing loans. The following table illustrates the differences.

($ in millions)	**1996**	1995	1994	1993	1992
Net interest income	**353**	417	356	221	222
Adjusted net interest income	**353**	290	126	126	102

Underpinning the upward trend in the adjusted net interest margin over the last three years is the transfer of $1.5 billion of impaired loans represented by Poland, Egypt, Brazil and Argentina to the performing status since 1993. This process started in 1994 and was completed by the third quarter of 1995. As a result, 1996 was the first full year that these loans accrued interest as performing loans. In addition to steadily increasing interest earnings over the last few years, the cash flows from these loans have been significant and along with other operational cash flows have primarily financed the Corporation's asset growth.

The 1997 Corporate Plan estimates the net interest income to be $395 million, 12% above the level experienced in 1996. The net interest margin is expected to be 3.31%, up from the 1996 level of 3.03%.

Loan Revenues and Allowances

The following table analyzes loan revenue, fees and the expense for the provision for losses on loans as a percentage of the average loans receivable for 1996 with 1995 comparatives:

($ in millions)	Increase (Decrease)		1996		1995	
	$	%	**$**	**%**	$	%
Average gross						
loans receivable	301		**10,207**		9,906	
Loan revenue:						
Loan interest earned	(126)	(1.46)	**633**	**6.20**	759	7.66
Fees earned	1	(0.01)	**58**	**0.57**	57	0.58
Total loan revenue	(125)	(1.47)	**691**	**6.77**	816	8.24
Less: provision for losses on loans	(139)	(1.46)	**202**	**1.98**	341	3.44
Total loan revenue after provisions	$14	(0.01)	**$489**	**4.79**	$475	4.80

For 1996, interest revenue was $633 million, a decrease of $126 million from the level of $759 million a year earlier. Interest revenue from performing loans was $633 million (1995 – $632 million) and includes $39 million (1995 – $32 million) relating to the amortization of non-accrued capitalized interest for performing loans previously classified as impaired.

The performing fixed rate loans receivable averaged $4.3 billion in 1996 (1995 – $4.2 billion) with an average coupon rate of 8.06% (1995 – 8.21%). The decline in yield was caused by repayments of older higher yielding loans coupled with disbursements of recently signed loans which carry coupon rates reflective of the current lower interest rate environment. The performing floating rate loans receivable averaged $3.8 billion in 1996 (1995 – $3.4 billion) with an average coupon rate of 6.19% (1995 – 6.93%). The decline in floating rate of .74% was largely due to the fall in Canadian Prime and U.S. dollar LIBOR resets since the spring of 1995. The increase in the average balance for the floating rate portfolio was a result of both the reclassification of the Brazilian and Argentine portfolios to the performing status during 1995 and the real growth of the portfolio during 1996.

The Corporation assesses the carrying value of its loan assets on an annual basis and determines the appropriate allowance necessary to maintain the financial integrity of EDC. During 1996, a charge for the provision for losses on loans was made to the income statement in the amount of $202 million (1995 – $341 million). Of the $202 million, $164 million was an estimate for credit risk concentrations, a new risk classification, which was implemented during the year. The 1996 Corporate Plan projected a provision for losses on loans of $200 million.

Insurance Revenues and Allowances

The following table analyzes insurance revenue, fees and the expense for the provision for claims on insurance as a percentage of insured volumes for 1996 with 1995 comparatives:

($ in millions)			**1996**		1995	
	Increase (Decrease)					
	$	%	**$**	**%**	$	%
Short-term program:						
Insured volumes	2,712		**15,756**		13,044	
Premiums and fees earned	12	–	**67**	**.42**	55	.42
Medium-term program:						
Insured volumes	545		**2,596**		2,051	
Premiums and fees earned	3	(.08)	**22**	**.85**	19	.93
Total insured volumes	3,257		**18,352**		15,095	
Total premiums and fees earned	15	(.01)	**89**	**.48**	74	.49
Less: provision for claims on insurance	19	.05	**68**	**.37**	49	.32
Total insurance revenue after provisions	(4)	(.06)	**21**	**.11**	25	.17

Premium revenue of $89 million finished the year at 20% above the 1995 level of $74 million. This is the direct result of the growth in insurance volumes which increased by $3.3 billion, or 22% over 1995 while total premiums and fees earned as a percentage of insured volumes did not change significantly. The growth in volumes can be attributed to the Corporation's focus on improving customer service, increasing emphasis on business development efforts, favourable market conditions and faster credit decisions which were made possible by continued improvements in the Corporation's systems applications.

Short-term insurance revenues contributed $67 million to 1996 premium revenue, an increase of 22% over 1995.

The medium-term program revenues finished the year at $22 million, or 16% over 1995. Foreign Investment Insurance revenue increased by $3 million or 30% over 1995. Premium revenues earned in the medium-term Specific programs increased by 15% while premium revenues in the Surety programs remained relatively unchanged from 1995. The only medium-term program which experienced a decrease in revenue was the Bulk Agriculture program where revenue decreased by $1 million.

Total insurance revenue after provisions has decreased by $4 million due to an increased provision for claims. The increase in current provisioning levels was the result of the year-end actuarial allowance valuation and management's view that it would be prudent to set aside additional provisions given increasing growth and risk concentrations in the insurance programs.

When measured against planned amounts, premium revenue of $89 million finished the year at $7 million above Plan. Income from insurance operations (after provisions and before investment income and administrative expenses) of $21 million finished the year $12 million below the year's Plan of $33 million due to the larger than projected claims provision.

Investment Revenue

Investment revenue increased from $75 million in 1995 to $110 million in 1996. This was due to higher average principal balances of fixed income securities and interest bearing deposits during 1996. It also includes a foreign exchange translation gain of $11 million for 1996 versus a $12 million loss for 1995 resulting in a net increase of $23 million. Investment revenue net of the foreign exchange translation gain/loss was $99 million for 1996 (1995 – $87 million), an average return of 6.8% (1995 – 6.8%).

($ in millions)	Increase (Decrease)		1996		1995	
	$	%	$	%	$	%
Average cash and marketable securities	64	6	**1,129**		1,065	
Average investments	110	52	**323**		213	
Total	174	14	**1,452**		1,278	
Net investment revenue	35	47	**110**		75	
Foreign exchange translation gain/(loss)	23	192	**11**		(12)	
Gross investment revenue	$12	14	**$99**	**6.8**	$87	6.8

Interest Expense

Although total loans payable increased by $67 million from the previous year, the interest expense decreased by $26 million during the year. Lower interest rates in the latter half of the year and success in obtaining attractive borrowing rates with new debt issues were the primary contributing factors to this reduced funding cost.

($ in millions)	Increase (Decrease)		1996		1995	
	$	%	$	%	$	%
Fixed rate payables	(270)	(10)	**2,505**		2,775	
Floating rate payables	348	7	**5,175**		4,827	
Deferrals, unamortized discounts and premiums	(11)	(17)	**55**		66	
Total loans payable	67	1	**7,735**		7,668	
Interest expense	(26)	(5)	**448**	**5.8**	474	6.2

Administrative Expenses

Net administrative expenses for 1996 totaled $60 million. This represents a 5.3% increase from the prior year, and is 14% below the 1996 Plan. The increase in administrative expenses is primarily the result of higher salaries and benefits due to an increase of 45 in the average staff complement, and increased technology costs associated with the implementation of enhanced corporate information systems.

CANADA ACCOUNT TRANSACTIONS

Under the Export Development Act, the Minister for International Trade, with the concurrence of the Minister of Finance, may authorize the Corporation to undertake certain transactions of a financial nature to support and develop export trade. All monies required by the Corporation to discharge its obligations under these transactions must be paid to the Corporation by the Minister of Finance out of the Consolidated Revenue Fund. The Corporation must remit all receipts and recoveries in respect of these transactions to the Government of Canada less amounts which it is authorized to retain to meet expenses and overhead related to these transactions. These transactions, and the legislative authorities which underlie them, have come to be known collectively as the "Canada Account". Accounts for the program are maintained separately from the Corporation's accounts and are consolidated annually as at March 31 with the financial statements of the Government of Canada. Following are the financial highlights *for the nine months to December 31, 1996*.

Canada Account business volume for this period was $383 million, of which $37 million was for concessional loans, $41 million was direct consensus terms financing and $305 million pertained to insurance and related guarantees provided.

The Corporation administered total assets of $2,899 million consisting of $2,864 million from the lending program and $35 million from the insurance program. The loan assets were mainly denominated in U.S. dollars (93%) followed by Canadian dollars (6%) and European Currency Units (1%).

Actual disbursements amounted to $107 million, including $69 million for loans signed under consensus terms, $35 million for concessional loans and $3 million for claims paid under the insurance program. Canada Account remitted to the Consolidated Revenue Fund $183 million, of which interest and fee revenue totaled $102 million, while the repayment of loan advances amounted to $77 million and recoveries on claims accounted for $4 million.

The Corporation retained $13 million from Canada Account receipts and recoveries to meet expenses and overhead related to Canada Account transactions.

PORTFOLIO RISK MANAGEMENT

CONCENTRATION OF EXPOSURE

In order to serve the Canadian customer, the Corporation is organized into business teams along industry sectors to better understand and respond to the needs of the Canadian exporter. Significant potential transactions with respect to credit risk and structure are reviewed by the Risk Management Office prior to authorization. Country limits are established and reviewed continually by the International Markets and Economics departments to take into consideration any changes within the world environment. The Corporation is currently reviewing its processes and systems in order to improve the administration and overall control of all agreements associated with financing and insurance transactions. Counterparty exposure and location are monitored on a regular basis for credit risk.

The following table reflects the major concentrations of total commercial and sovereign exposure in the country where the ultimate risk resided for all operations at the end of 1996. The following countries accounted for approximately 69% of the Corporation's total exposure.

Market	Gross Loans Receivable	Undisbursed Commitment	Contingent liabilities Short-Term	Contingent liabilities Medium-Term	Investments and Derivative Financial Instruments**	1996 Exposure	
($ in millions)						$	%
U.S.	1,317	1,025	1,580	38	146	4,106	18.2
Canada	211	93	612	312*	792	2,020	9.0
China	1,113	386	26	128	–	1,653	7.3
Brazil	499	30	585	19	–	1,133	5.0
Mexico	528	7	391	14	–	940	4.2
Colombia	408	12	20	290	–	730	3.2
Indonesia	428	171	20	68	–	687	3.1
U.K.	138	209	154	142	15	658	2.9
Peru	574	–	7	61	–	642	2.8
Turkey	174	188	33	246	–	641	2.8
France	355	64	122	28	54	623	2.8
Iran	115	–	390	60	–	565	2.5
Venezuela	333	151	34	38	–	556	2.5
Japan	40	–	309	3	200	552	2.5
Other	4,271	527	798	904	541	7,041	31.2
Total	$10,504	$2,863	$5,081	$2,351	$1,748	$22,547	100.0

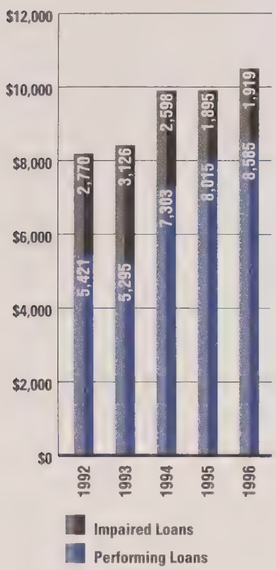
** Includes $295 million of surety bond insurance. Eighty-eight percent of the exports insured in the Surety Bond program were to the United States.*

***Investments include amounts represented by cash, marketable securities and investments as shown on the Balance Sheet.*

LOANS PORTFOLIO

Gross loans receivable increased by $594 million to $10,504 million from the December 31, 1995 level of $9,910 million mainly as a result of disbursements exceeding repayments. The Corporation disbursed a record $2,463 million to support Canadian exporters during 1996, 13% higher than the $2,172 million in 1995. For 1996, loan repayments amounted to $1,980 million (1995 – $2,114 million). Amounts received from the Government of Canada and allocated for debt relief, mainly for principal, were $101 million (1995 – $374 million). Of the $101 million, $75 million was received for performing loans in Egypt and $26 million was received for impaired loans (Côte D'Ivoire – $16 million and Congo – $10 million).

Performing and Impaired Loans
($ in millions)



Loan Asset Quality

Performing gross loans receivable increased from $8,015 million at the end of 1995 to $8,585 million at the end of 1996. The increase is due to the significant increase in commercial loans from $2,899 million to $3,652 million. The sovereign performing portfolio declined from $5,116 million to $4,933 million due in part to debt relief payments from the Government of Canada of $75 million for Egypt. Impaired loans, as a percentage of total gross loans receivable, have decreased slightly during 1996 from 19% to 18%. Currently, there are plans to review the impaired sovereign portfolio during 1997 to assess whether certain sovereign entities should be reinstated to the performing status. The aggregate exposure of these entities is approximately $150 million. There were no loans written off in 1996.

Impaired Loans

Cash received, including both principal and interest, from the impaired portfolio has been significant since 1992, averaging between 3% and 5% of the total portfolio, but increasing to 8.1% in 1995. The following cash flows pertain to sovereign debtors and represent to a large extent the long-term efforts of multilateral rescheduling arrangements through Paris Club.

($ in millions)	**1996**	1995	1994	1993	1992
Average impaired gross loans receivable	**1,907**	2,247	2,862	2,948	2,428
Impaired receipts (principal and interest)	**89**	182	115	91	115
Cash flow as a percentage of average loans	**4.7%**	8.1%	4.0%	3.1%	4.7%

Payments received from the Government of Canada for debt relief for impaired loans were $26 million in 1996, $16 million for Côte D'Ivoire and $10 million for the Congo. These amounts are not included as receipts in the above chart.

Loan Asset Risk Concentration

Sovereign Loans

The Corporation has the following sovereign risk concentrations for its performing gross loans receivable:

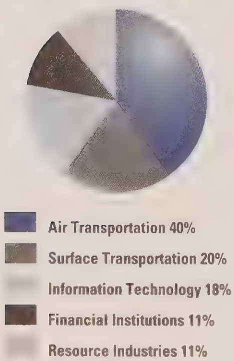
($ in millions)		1996			1995
	$	%		$	%
China	1,113	23	China	1,153	23
Algeria	435	9	Mexico	422	8
Indonesia	400	8	Algeria	418	8
Mexico	337	7	Brazil	400	8
Brazil	336	7	Indonesia	323	6
Other	2,312	46	Other	2,400	47
Total	$4,933	100	Total	$5,116	100

Generally, the level of concentration has not increased for sovereign counterparties since 1995, but risk concentration is still significant when both loan receivables and undisbursed loan commitments, which are listed below, are taken into consideration.

The largest undisbursed loan commitments by sovereign borrower are as follows:

($ in millions)		1996			1995
	$	%		$	%
China	386	37	Venezuela	176	26
Turkey	188	18	Indonesia	168	25
Venezuela	151	14	Pakistan	93	14
Indonesia	74	7	China	89	13
Israel	51	5	Colombia	42	6
Other	199	19	Other	113	16
Total	$1,049	100	Total	$681	100

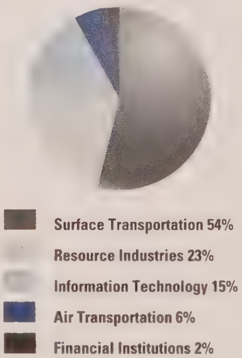
Commercial Performing Loans



Commercial Loans

The five counterparties comprising the Corporation's largest commercial loan exposure collectively represent 39% of the total performing gross loans receivable, a decline from the 1995 level of 46%. The largest commercial loans receivable exposure to a single counterparty is $690 million. Additionally, EDC has undisbursed commitments of $965 million with this same counterparty, a company from the Surface Transportation sector in the United States. The Air Transportation sector accounted for $1,491 million, or 40% of the performing commercial portfolio of $3,652 million. Of the undisbursed commercial loan commitments of $1,814 million, the Surface Transportation sector has undisbursed commitments of $997 million or 54% of the total.

Commercial Undisbursed Commitments



Allowance for Losses on Loans

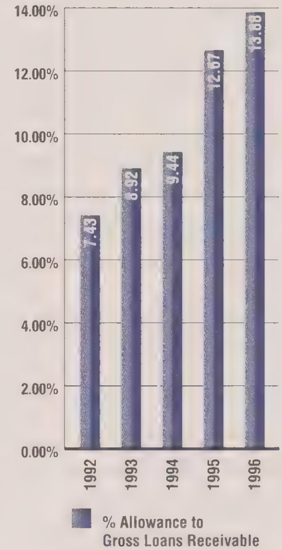
During 1996, the allowance for losses on loans increased by $202 million or 16% to $1,458 million from the December 31, 1995 balance of $1,256 million. The 1996 charge to the income statement for the loan loss provision was $202 million (1995 – $341 million). The Corporation increased its total allowance by providing a risk concentration allowance of $164 million during 1996.

The Corporation categorizes its performing commercial and sovereign loans using a rating system of 1 to 4 (high investment grade to below investment grade), and then establishes an appropriate general allowance for each performing risk category. For impaired loans, a specific allowance is determined based on discounted projected cash flows.

Sovereign

The Corporation classifies each sovereign counterparty in risk categories or pools using external credit rating agencies. For those countries not specifically rated, an assessment using external benchmarks is employed to classify unrated countries relative to those that are rated. A general allowance rate is applied to exposure after considering default rates and loss experience based on reports from external credit agencies.

Allowance for Losses on Loans



The 1996 sovereign allowance on loans and guarantees as a percentage of exposure is as follows:

($ in millions)	1996			1995		
	Allowance	**Exposure**	**%**	Allowance	Exposure	%
(1) High investment grade, > A	–	21	–	–	–	–
(2) Medium investment grade, = A	4	215	2	4	201	2
(3) Low investment grade, = Baa	76	1,883	4	67	1,684	4
(4) Below investment grade, < Baa	259	2,590	10	297	2,969	10
(5) Impaired	534	1,013	53	612	1,127	54
Sub-total	873	5,722	15	980	5,981	16
Loan guarantees, mainly below investment grade	22	223	10	20	205	10
Total	$895	$5,945	15	$1,000	$6,186	16

The sovereign allowance declined by $105 million from the 1995 level of $1,000 million. The allowance for impaired sovereign loans decreased during the year by $78 million due to a number of factors. The major items contributing to this decrease were the increase in the estimation of future cash flows and the rise in non-accrued capitalized interest which is considered in the allowance revaluation process. Since cash receipts from impaired borrowers and the Government of Canada are applied to the book value of the loans, this reduction in book value translates into a reduction in the allowance. The performing sovereign allowance declined by $27 million due to an overall decrease in performing receivables especially in the below investment grade category. Poland was upgraded to low investment grade during 1996 by external credit agencies and its exposure of $170 million was removed from below investment grade accordingly.

Commercial

The Corporation undertakes annual loan reviews to assess the financial condition of the borrowers or guarantors and their adherence to loan covenants. When available, the Corporation utilizes external credit ratings on its commercial borrowers in order to classify commercial loans receivable into credit grade categories. When these ratings are unavailable, loan reviews are used to determine the appropriate classification for each loan. For each rating classification, a general allowance rate is established using externally published default and loss history for each risk pool. The general rates are then applied to exposure to derive a general allowance for performing loans.

The 1996 commercial allowance on loans and guarantees as a percentage of exposure is as follows:

($ in millions)			**1996**			1995
	Allowance	**Exposure**	**%**	Allowance	Exposure	%
(1) High investment grade, > A	**7**	**377**	**2**	12	722	2
(2) Medium investment grade, = A	**53**	**1,454**	**4**	42	1,203	3
(3) Low investment grade, = Baa	**18**	**296**	**6**	14	237	6
(4) Below investment grade, < Baa	**181**	**1,525**	**12**	88	737	12
(5) Impaired	**127**	**132**	**96**	97	103	94
Sub-total	**386**	**3,784**	**10**	253	3,002	8
Loan guarantees, mainly below investment grade	**13**	**130**	**10**	3	51	6
Total	**$399**	**$3,914**	**10**	$256	$3,053	8

The commercial allowance rose by $143 million to $399 million from $256 million a year earlier. Loans classified as impaired increased by $29 million and the allowance increased by $30 million. Performing commercial exposure increased by $832 million, primarily in the below investment grade category, and the general allowance rose as a result.

Risk Concentration

By continuing to support exporters in their established markets, risk concentrations have developed in geographical areas in below investment grade or low investment grade countries (seven countries as at December 31, 1996) and with a single counterparty in an investment grade country. These concentrations expose the Corporation to significant risk of credit loss and consequently $164 million has been set aside as an allowance for risk concentrations.

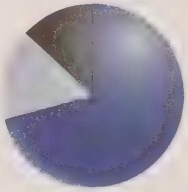
INSURANCE PORTFOLIO

Contingent Liabilities

Insurance policies in force and guarantees increased during 1996 to $7,432 million from the 1995 level of $6,214 million, an increment of $1,218 million, or 20%. The growth was primarily in the short-term Global program, which increased by $1,171 million, or 30% from the 1995 level of $3,853 million.

As at December 31, 1996, there has been a shift towards shorter policy terms when compared to contingent liabilities outstanding as at December 31, 1995. At the end of 1996 policies with terms of more than five years comprised 16% of the total contingent liabilities, whereas at the end of 1995 policies with terms of more than five years accounted for 21% of the portfolio. This is largely the result of the growth in the short-term programs.

Contingent Liabilities By Policy Term



Short-Term Program

Size Concentration

As at December 31, 1996, the short-term program supported 2,644 customers. In terms of total declared volume during the year, the top five customers represented 17% of the total 1996 declared volumes (1995 – 17%). The number of policyholders with declared volume of over $10 million per year has been steadily increasing over the last several years. Risk concentration has been growing in the short-term portfolio where large (over $10 million) buyers now account for more than 25% of the total authorizations. This risk has been taken into account by the increase in the year-end actuarial claims valuation.

The following table shows the number of buyers supported classified by exposure size within the short-term portfolio:

$ Value of Exposure *($ in thousands)*	Number of Buyers **1996**	 1995
1-500	**21,982**	15,802
501-2,000	**2,136**	1,564
2,001-5,000	**562**	424
5,001-10,000	**175**	153
10,001 and over	**135**	96
Total	**24,990**	18,039

Note: Open account business only

Country Concentration

The top five countries represent $3,558 million, or 70% of the total short-term contingent liability of $5,081 million. The level of concentration has increased from the 1995 level of 62%. The country with the largest concentration remains the United States, representing 31% of all short-term liabilities outstanding. Canada moved into second place due to the increasing use of Domestic insurance. Domestic insurance now represents almost 10% of the total short-term insurance volume.

The largest concentrations within the short-term program are in the following countries:

($ in millions)		1996			1995
	$	%		$	%
U.S.	1,580	31	U.S.	1,173	29
Canada	612	12	Mexico	377	9
Brazil	585	11	Brazil	364	9
Mexico	391	8	Japan	353	9
Iran	390	8	Iran	230	6
Other	1,523	30	Other	1,503	38
Total	$5,081	100	Total	$4,000	100

The Corporation rates country risk on a scale from "1" to "5" with "1" being the lowest risk and "5" being the highest risk. The comparative spread of risk in terms of country risk classification within the short-term contingent liabilities is relatively unchanged from 1995 levels. However, as a result of the growth in the short-term insurance program, the total exposure within category "4" and "5" countries has grown by $374 million, or 7% of the total short-term liability. This additional country risk exposure was taken into account in the year-end actuarial claims valuation.

Industry Concentration

The overall percentage concentration by industry sector/business team has remained relatively unchanged with slight increases in the Information Technology and Consumer Goods sectors and a slight decrease in the Forestry sector.

Medium–Term Program

Size Concentration

During 1996, 289 customers were supported in the medium-term program. The top five customers represented 35% of the 1996 medium-term insurance policies and guarantees in force (1995 – 32%). In terms of policy size, the five largest policies and loan guarantees in force as at December 31, 1996 represented 28% (1995 – 28%) of the total medium-term policies in force.

Country Concentration

As at December 31, 1996, the medium-term liability portfolio is comprised of 1,049 transactions in 92 different countries (1995 – 845 transactions in 86 countries) with an average per risk exposure of $2 million (1995 – $2 million).

The largest contingent liabilities in terms of ultimate risk within the medium-term portfolio are in the following countries:

($ in millions)	1996			1995	
	$	**%**		$	%
Canada	**312**	**13**	Turkey	270	12
Colombia	**290**	**12**	Canada	207	9
Turkey	**246**	**11**	Colombia	190	9
Argentina	**176**	**8**	Malaysia	149	7
United Kingdom	**142**	**6**	Peru	142	6
Other	**1,185**	**50**	Other	1,256	57
Total	**$2,351**	**100**	Total	$2,214	100

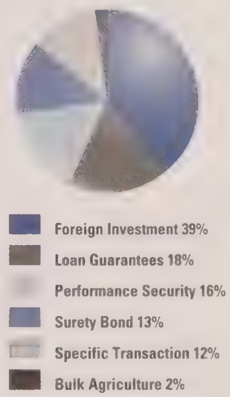
The country with the largest concentration in terms of contingent liability is Canada. Most of this amount ($295 million) represents Surety Bond insurance, 88% of which is to support exports to the United States. Exposure in Turkey and the United Kingdom represents guarantees to support loan agreements signed with these countries. The five countries with the largest contingent liabilities represent 50% of the total medium-term contingent liabilities.

In terms of country risk concentration, there was an improvement in country risk quality within the medium-term contingent liability as at December 31, 1996 compared to December 31, 1995. The aggregate concentration within the lower risk countries (defined as "1" and "2") increased to 44% from the 1995 level of 37%.

Program Concentration

The program with the largest increase in contingent liability during 1996 was the Surety Bond program. Surety Bond exposure has grown from $204 million in 1995 to $295 million in 1996. Exposure as a percentage of overall medium-term liabilities in all other insurance programs remained relatively unchanged with the exception of the Bulk Agriculture program which decreased from an outstanding liability of $123 million in 1995 to $40 million in 1996.

Concentration by Program



Industry Concentration

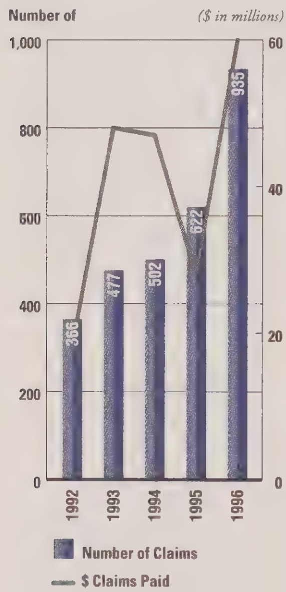
In general, the overall levels of concentration by industry sector/business team within the medium-term program have not changed significantly. The Engineering and Professional Services sector accounted for $1,033 million and the Information Technologies sector followed with $423 million, representing 44% and 18% of the total medium-term liabilities.

Claims Experience

($ in millions)	**1996**	1995
Claims Paid	**60**	28
Claims Recovered	**11**	8
Net Claims	**$49**	$20

In 1996, the Corporation paid 935 claims for a total of $60 million and recovered $11 million. During the same period in 1995, the Corporation paid 622 claims for a total of $28 million and recovered $8 million.

Claims Paid



Default and insolvency risk accounted for 61% of the total claims paid in 1996. Within the default and insolvency category, 80% of the claim payments were paid on behalf of customers' losses in the United States ($16 million), Canada ($5 million), Spain ($4 million) and Brazil ($4 million). An additional $20 million (33%) in claim payments were paid for transfer risk on behalf of customers' losses in Cuba.

As at December 31, 1996 the Corporation has $100 million claims paid and outstanding to 52 countries with estimated recoveries of $25 million.

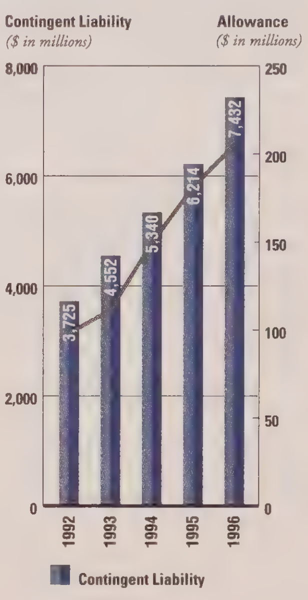
Allowance for Claims on Insurance and Guarantees

As at December 31, 1996, the allowance for claims on insurance and guarantees is $205 million, an increase of $24 million or 13% over the 1995 allowance of $181 million. The increase is primarily attributable to the continued growth in the short-term insurance portfolio as well as increased exposure in higher risk countries as determined by the year-end actuarial allowance valuation. During 1996, $68 million was charged to the income statement for the claims provision. Offsetting this increase to the allowance were charges to the allowance of $43 million due to write-downs of the recoverable claims account and a foreign exchange fluctuation of $1 million.

Of the $43 million in write-downs, the five largest concentrations were related to claims paid and outstanding on behalf of customers' losses in the U.S. ($9 million), Cuba ($8 million), Canada ($4 million), Brazil ($4 million), and Spain ($3 million). All of the write-downs were in the Global Comprehensive program with the exception of the write-downs related to Cuba which covered policies written in the Documentary Credits program.

The Corporation's contingent liability has increased by 99% over the last four year period from $3,725 million in 1992 to $7,432 million at the end of 1996. The total allowance for claims as a percentage of contingent liabilities has remained relatively stable over the same time frame, increasing from 2.6% to 2.8%.

Allowance vs Contingent Liability



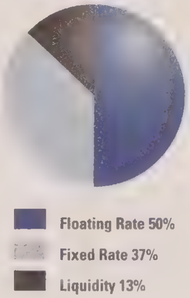
TREASURY OPERATIONS

Treasury Risk Management

EDC generally funds when it requires cash, rather than at the time of commitment on lending rates for loan assets, in order that it may avoid the cost of carry. EDC endeavors to match the average term of assets and liabilities on a portfolio basis. It also strives to create liabilities which equal the amount of maturing receivables in any calendar year. The Corporation minimizes bridge financing or warehouse positions and strives to minimize foreign exchange exposure. Capitalization and allowances are generally applied against long-term fixed rate assets.

The Corporation manages its exposure to market risks (interest rate risk and foreign exchange risk) utilizing limits developed in consultation with the Department of Finance and approved by the Audit Committee of the Board of Directors. The Treasury Division meets daily and the Corporation's Finance Committee weekly to review and discuss market risks and credit risks and to analyze borrowing requirements. These activities and the asset/liability positions are reported quarterly (or more frequently as required) to EDC's Asset/Liability Management Committee, to its Audit Committee of the Board, and to the Board of Directors.

Portfolio Breakdown



The likelihood of loss to EDC as a result of possible movements in interest and foreign exchange rates is measured and controlled. During 1996 the Corporation revised and implemented new policies and limits that govern how it manages risk. Market risk is aggregated and managed across Treasury and non-Treasury activities on an integrated basis. Limits exist for interest rate and foreign exchange rate shock effects in relation to projected net interest income. Exposures are classified, calculated and limited on a consolidated Canadian dollar equivalent basis, covering EDC's lending, investing, funding and derivative transactions.

EDC manages the market risks of its assets and liabilities on a portfolio basis. The portfolios are fixed rate, floating rate and liquidity.

These portfolios are predominantly in Canadian and U.S. dollars. This breakdown is shown in the following table.

($ in millions)	Total (CAD Equiv.)	Canadian Dollars	U.S. Dollars	Other Currencies (CAD Equiv.)
Liquidity Portfolio	1,678	737	525	222
Floating Rate Portfolio	6,349	1,224	3,227	706
Fixed Rate Portfolio	4,732	258	3,223	59

EDC will continue to improve analytical techniques, information systems and reporting to enhance the evaluation and control of corporate economic value-at-risk exposures. The Treasury Risk Management Policy will evolve to reflect this effort, by upgrading exposure calculation methods, limits and reporting.

The Corporation manages the following risks:

Interest rate risk

Interest rate risk is the exposure of the Corporation's net interest income to adverse movements in interest rates. This exposure is reported quarterly to EDC's Asset/Liability Management Committee, its Audit Committee of the Board, and the Board of Directors. Currently, all portfolios are in compliance with the Corporation's Treasury Strategy Guidelines.

Foreign exchange risk

Foreign exchange risk is the exposure of the Corporation's net interest income or market value to adverse movements in foreign exchange rates. Foreign exchange risk exists where there is a mismatch between assets and liabilities in any currency. This risk is measured, monitored and controlled on a translation basis. Currently, the exposure to foreign exchange risk is within the Corporation's Treasury Strategy Guidelines.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet the Corporation's obligations. EDC has guidelines to ensure sufficient liquidity is retained to meet operating requirements, and to maintain stability in short-term borrowing programs. Currently, the liquidity portfolio is in compliance with the Corporation's Treasury Strategy Guidelines.

Treasury funding

In accordance with the Export Development Act and the Financial Administration Act, EDC funds its capital requirements in international and domestic capital markets through issuance of bonds, debentures, notes and other evidence of indebtedness. EDC attempts to minimize the cost of borrowing and maximize investment returns while prudently managing market risks (interest rate and foreign exchange) and Treasury credit risks.

Fixed Rate Liabilities

Strategy

In a low interest rate environment when long-term rates are cyclically low, EDC believes that the Corporation should extend term on its liabilities by issuing long-term funding. Although this strategy could deviate from EDC's policy of matching the term of its asset and liability portfolios, it would benefit the Corporation by locking in low cost long-term funds. This strategy was not utilized in 1996 because the Corporation had no fixed rate requirements.

Positions

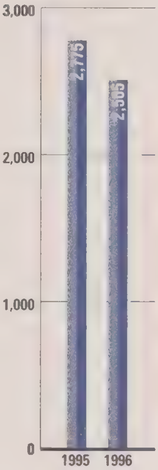
All fixed rate issues made during 1996 were swapped into floating rate debt. Maturities of $273 million occurred with an additional reduction of $3 million due to a partial buyback of an outstanding issue. The remaining fluctuation in the balance is caused by changes in exchange rates. Gains and losses on the liability portfolio are offset by the effects on the asset portfolio. During 1996 the interest expense related to fixed rate issues amounted to $174 million (1995 – $194 million).

Requirements

EDC forecasts indicate that the fixed rate portfolio will remain relatively stable in the near term. The cash flow forecasts include existing business and projected future business.

Fixed rate cash requirement details by period for U.S. and Canadian dollars are shown below.

Fixed Payables
($ in millions)



($ in millions)

Period	U.S. Dollars	Canadian Dollars
1997	36	29
1998	369	112
1999	615	(28)
2000	373	(26)
2001	(49)	(15)
Total	$1,344	$72

The "Total" figure indicates the cumulative requirement between January 1, 1997 and December 31, 2001. Projections beyond five years are not included due to a high degree of uncertainty as to their occurrence. A positive figure is a cash outflow (requirement) and a negative figure is a cash inflow (surplus). Cash flows include amounts for impaired loans for which the Corporation holds a reasonable expectation of receipt.

Floating Rate

Strategy

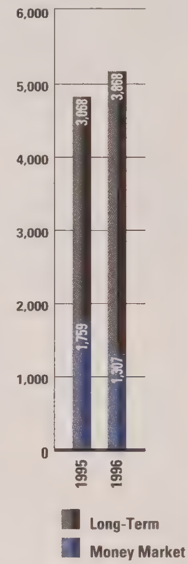
EDC's floating rate debt consists of liabilities with a floating coupon which resets on a regular recurring basis. Many of these floating rate issues are synthetically created from fixed issues with related interest rate and/or currency swaps. Floating rate debt also includes money market paper.

The Corporation continuously issues short-term paper (with a maturity of less than one year) by means of North American-based, Canadian and U.S. Dollar commercial paper programs. A European-based money market registered claims program, denominated in various currencies, is used to supplement the commercial paper programs. The registered claims program has decreased considerably in the last few years with this trend expected to continue. The Corporation is in the process of finalizing a commercial paper program in Europe which will raise funds in a variety of currencies.

Positions

During 1996 the floating rate portfolio grew from $4,827 million to $5,175 million. This growth is comprised of long-term floating rate liabilities increasing by $800 million, and money market liabilities decreasing by $452 million. The long-term floating rate change includes new issues totaling $1,775 million, maturities and retirements totaling $1,019 million, and early buyback of debt totaling $510 million. These buybacks were undertaken to support EDC's investor relations and the amounts bought back were refinanced with new issues. Gains or losses on these transactions are generally being amortized over the life of the refinancing. The expense related to money market borrowings is $63 million (1995 – $60 million) and the long-term borrowings had an associated expense of $211 million (1995 – $220 million). The increased money market expense for 1996 resulted from increasing the term of the borrowings as well as from higher average outstandings during the year than indicated by the December 31, 1996 balance.

Floating Payables
($ in millions)



Requirements

The table indicates the Corporation's expectation of required floating rate funding for the next five years. Projections beyond five years are not included due to a high degree of uncertainty as to their occurrence. A positive figure is a cash outflow (requirement) and a negative figure is a cash inflow (surplus). Cash flows include amounts for impaired loans reasonably expected to be received.

Floating rate cash requirement details by period for U.S. and Canadian dollars are shown below.

($ in millions)

Period	U.S. Dollars	Canadian Dollars
1997	520	(70)
1998	1,240	(5)
1999	1,061	(17)
2000	994	(24)
2001	877	(43)
Total	$4,692	$(159)

The cash flows include existing business and projected future business. The "Total" figure indicates the cumulative requirement between January 1, 1997 and December 31, 2001. It is estimated that in 1997 EDC's floating rate requirements will not exceed $520 million U.S. and that there will be no requirement to raise Canadian dollars. This is dependent on future loan signings and debt relief.

Cash and Marketable Securities

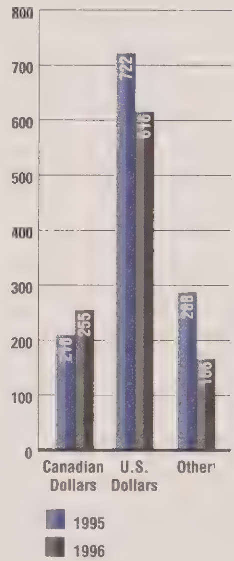
Strategy

EDC maintains corporate liquidity sufficient to meet its general operating requirements and to maintain stability in the short-term borrowing program. It is the policy of EDC that corporate cash holdings be invested in a prudent manner.

The investment of corporate cash holdings is governed by Section 10(1.1)(h) of the Export Development Act, Section 128 of the Financial Administration Act, and the Corporation's Investment Authorities approved by the Minister of Finance. Investment vehicles are: (1) Bonds, stocks, debentures, or securities of or guaranteed by: (a) the Government of Canada; (b) the government of a country other than Canada; (c) other approved government entities; and (d) approved corporate and financial institutions; (2) Consolidated Revenue Fund deposits; and (3) Bank deposit accounts and instruments with both domestic and international banks and financial institutions according to Section 128 of the Financial Administration Act.

Cash and Marketable Securities

($ in millions)



[1] *Expressed in Canadian equivalent dollars*

Positions

The Corporation maintains cash and marketable securities in a number of currencies to ensure that it is able to meet its obligations as they arise. While the U.S. dollar portfolio and other currency portfolio have decreased from 1995 to 1996, the Canadian dollar portfolio has increased since 1995. This is due to a new investment strategy that will see the Canadian portfolio grow in the near term. Other currencies in which investments and/or cash deposits are held are Swiss Francs, Deutsche Marks, British Pounds, Japanese Yen, Dutch Guilders, Australian Dollars, French Francs and European Currency Units.

Requirements

In 1997 the Corporation will be implementing new investment strategies. It is anticipated that the size of the liquidity portfolio will remain relatively constant, but that the mix between Canadian and U.S. dollars will be weighted more towards the Canadian funds.

Derivatives

Strategy

EDC utilizes a variety of derivatives to manage costs, returns, and levels of financial risk associated with its funding, investment and implementation of its risk management activities. EDC will not engage in the use of derivatives whose value and financial risks cannot be measured, monitored and managed on a timely basis.

EDC's use of derivatives may include, but is not restricted to: currency and interest rate swaps, foreign exchange contracts, equity index linked swaps, forward rate agreements, futures, and options. The Corporation will not engage in the use of leveraged derivative structures relating to investments or borrowings, where volatility in yield and value over the term of the respective deal is magnified by mathematical relation to some index. The Treasury Risk Management group formally reviews EDC derivative financial instrument deals at time of inception, and on an ongoing basis, to provide an independent check and control on the valuation of deal structures, and of associated financial risks.

The use of any new derivative products is reviewed and reported separately by the Risk Management department to the Senior Vice-President and Treasurer and the Executive Vice-President and Chief Financial Officer. Financial risks associated with derivatives are controlled and reported as specified in Treasury Risk Management Policies.

EDC's use of derivatives is typically linked to the following activities:

Funding:
Derivatives are used to achieve aggressive fixed rate or sub-LIBOR floating rate funding costs. An example would be issuing an EDC bond in a foreign currency, on a fixed interest rate basis, and entering into a currency and interest rate swap with a creditworthy counterparty to achieve low cost floating rate U.S. dollar denominated debt, thereby replacing the foreign currency denominated payment obligations with U.S. dollar denominated obligations. The combination of the bond issue and swap would deliver a more favourable cost of funding than could be achieved using a straight U.S. dollar floating rate bond issue.

Investing:
Derivatives are used to maximize yields on investments. For example, rather than invest directly in a three month U.S. dollar treasury bill, EDC may obtain a higher yield by investing in a Japanese yen swapped deposit, where Treasury converts U.S. dollars to yen, makes a three month yen deposit, and swaps the maturing term deposit plus interest back into U.S. dollars. This structure uses a forward foreign exchange contract to enhance the investment yield.

Risk Management:
Derivatives are used to hedge risks by diversifying concentrated exposures. For example, EDC might balance the proportion of fixed to floating rate assets in its investment book, using interest rate swaps, in order to diversify interest rate risk.

Positions

EDC utilizes a variety of derivatives to manage costs, returns, and levels of financial risk associated with its funding and investment activities. The types of these derivative financial instruments are detailed in Note 15 of the Financial Statements.

Requirements

In 1997 the Corporation will continue to issue fixed rate debt and use derivative financial instruments to create floating rate debt. These instruments will also be used in implementing the investment strategy.

PLANNING COMPARISON AND PROSPECTS FOR 1997

Business volume for 1996 reached $22 billion, an increase of 28% over the 1995 level of $17.2 billion and surpassing the 1996 planned volume of $20.5 billion. Of this increase, the short-term insurance volume of $15.7 billion exceeded Plan by $1,100 million, medium-term insurance volume of $2.6 billion exceeded Plan by $300 million and financing volume of $3.7 billion exceeded Plan by $700 million.

The impact on the Corporation's balance sheet of this increased activity was not large, as much of the signed financing volume will be disbursed in future years. The major variances were limited to the loans receivable and loans payable balances. Loans receivable of $8.2 billion exceeded Plan by $300 million and loans payable of $7.8 billion exceeded Plan by $100 million.

The table shows the comparison of the 1996 income statement with the Plan. The increase in net income of $67 million can be attributed to several line items of which the main ones are: (1) an increase in investment income of $40 million caused by higher average balances as well as foreign exchange gains in 1996 of $11 million, and, (2) a decrease in administrative expenses of $10 million due to delays and deferrals of new computer system projects, staff hiring and reduced accommodation costs.

1997 is anticipated to again see large increases in business volumes. The planned volume of $27.5 billion is comprised of $19.2 billion for short-term insurance, and $8.3 billion for medium-term insurance and financing volumes. The impact of these increasing volumes is again not expected to greatly affect the balance sheet. Higher loan repayments and an increase in the loan loss allowance are expected to offset disbursements, while the positive cash flow generated from operations will impact upon EDC's borrowing requirements. In summary, planned total assets will remain at $9.7 billion, liabilities will reduce from $8.3 billion to $8.1 billion, and shareholder's equity will increase by $200 million to $1.6 billion, as compared to 1996 actual figures.

As can be seen from the table, the major planned variances from the 1996 actual results are represented by higher premium revenue due to the increased insurance activity and a reduced charge for the provision for loan losses largely caused by an anticipated receipt for debt relief during the year reducing corporate impaired loans and therefore the allowance against these loans.

($ in millions)	1997	**1996**	1996
	Corporate Plan	**Actual Results**	Corporate Plan
Loans			
Interest earned	664	**633**	625
Fees earned	53	**58**	48
	717	**691**	673
Less: provision for losses on loans	143	**202**	200
	574	**489**	473
Insurance			
Premiums and fees earned	100	**89**	82
Less: provision for claims on insurance	60	**68**	49
	40	**21**	33
Investment Income	118	**110**	70
	732	**620**	576
Interest Expense	440	**448**	461
Administrative Expenses	66	**60**	70
	506	**508**	531
Net Income	$226	**$112**	$45

Financial Reporting Responsibility

The Consolidated Financial Statements contained in this Annual Report have been prepared by Management in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied. The integrity and objectivity of the data in these Consolidated Financial Statements are Management's responsibility. The Consolidated Financial Statements include some amounts, such as the allowances for losses on loans and claims, that are necessarily based on Management's best estimates and judgment. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the Consolidated Financial Statements.

In support of its responsibility, Management maintains financial and management control systems and practices to provide reasonable assurance that the financial information is reliable, that the assets are safeguarded and the operations are carried out effectively. The Corporation has an internal audit department whose functions include reviewing internal controls and their application, on an ongoing basis.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit Committee meets with Management, the internal auditors and the Auditor General of Canada on a regular basis.

The Board of Directors of EDC is responsible for all business undertaken by the Corporation. Contracts which, in the opinion of the Board of Directors, involve risks for a term or an amount in excess of that which the Corporation would normally undertake, may be entered into under the authority of the Governor General in Council where the Minister considers them to be in the national interest. The Board of Directors has the predominant role in the management of this program and is solely responsible for its administration. Funds required for such contracts are paid to the Corporation by Canada, and funds recovered are remitted to Canada, net of amounts withheld to cover related administrative expenses. Canada Account transactions are shown in Note 18 to the Corporation's Consolidated Financial Statements.

The Auditor General of Canada conducts an independent audit, in accordance with generally accepted auditing standards, and expresses his opinion on the Consolidated Financial Statements. His report is presented on the following page.

Paul Labbé

Paul Labbé
President and
Chief Executive Officer

Pruneau

Roger Pruneau
Executive Vice-President and
Chief Financial Officer

Auditor's Report

AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

To the Minister of International Trade

I have audited the consolidated balance sheet of the Export Development Corporation as at December 31, 1996 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Financial Administration Act, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation and of its wholly-owned subsidiary that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the Financial Administration Act and regulations, the Export Development Act and regulations and the by-laws of the Corporation and its wholly owned subsidiary.

L. Denis Desautels

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
February 5, 1997

Consolidated Financial Statements

Consolidated Balance Sheet

as at December 31, 1996

($ in millions)	1996	1995
ASSETS		
CASH AND INVESTMENTS		
Cash and marketable securities (note 3)	1,037	1,220
Investments (note 4)	407	239
Accrued interest	15	19
	1,459	1,478
LOANS RECEIVABLE		
Net loans receivable (notes 5, 6 and 7)	8,048	7,727
Accrued interest and fees	140	159
	8,188	7,886
OTHER		
Recoverable insurance claims (note 10)	25	20
Other assets	34	16
	59	36
	$9,706	$9,400

See accompanying notes.

($ in millions)	1996	1995
LIABILITIES		
LOANS PAYABLE (notes 11 and 12)		
Loans payable	7,735	7,668
Accrued interest	94	154
	7,829	7,822
OTHER LIABILITIES AND DEFERRED REVENUES		
Accounts payable	80	50
Deferred insurance premiums	11	15
Allowance for claims on insurance and guarantees (note 10)	205	181
Deferred loan revenues and other credits	164	159
	460	405
Loan Commitments and Insurance and Guarantees (notes 8 and 9)		
SHAREHOLDER'S EQUITY		
Share capital (note 13)	983	851
Retained earnings	434	322
	1,417	1,173
	$9,706	$9,400

See accompanying notes.

Approved by the Board of Directors

W.R.C. Blundell

W.R.C. Blundell
Director

Roger Pruneau
Executive Vice-President and Chief Financial Officer

Paul Labbé
Director

Consolidated Statement of Income and Retained Earnings

for the year ended December 31, 1996

($ in millions)	1996	1995
LOANS		
Interest earned	633	759
Fees earned	58	57
	691	816
Less: provision for losses on loans (note 7)	202	341
	489	475
INSURANCE		
Premiums and fees earned	89	74
Less: provision for claims on insurance (note 10)	68	49
	21	25
INVESTMENT INCOME	110	75
	620	575
INTEREST EXPENSE	448	474
ADMINISTRATIVE EXPENSES	60	57
	508	531
NET INCOME	112	44
RETAINED EARNINGS		
Beginning of year	322	278
End of year	$434	$322

See accompanying notes.

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1996

($ in millions)	1996	1995
OPERATING ACTIVITIES		
Net income	**112**	44
Items not affecting cash		
Provision for losses on loans	**202**	341
Provision for claims on insurance	**68**	49
Accrued interest and fees	**(38)**	14
Net increase (decrease) in deferred revenue	**(10)**	4
Other changes	**(46)**	(34)
Cash provided	**288**	418
LENDING ACTIVITIES		
Loan disbursements	**(2,463)**	(2,172)
Loan repayments	**1,980**	2,114
Items not affecting cash		
Interest rescheduled	**(33)**	(131)
Cash used	**(516)**	(189)
FINANCING ACTIVITIES		
Issue of long-term loans payable	**1,775**	556
Repayment of long-term loans payable	**(1,530)**	(218)
Decrease in short-term loans payable	**(161)**	(232)
Issue of share capital	**132**	38
Increase in investments	**(168)**	(53)
Cash provided	**48**	91
Increase (decrease) in cash and marketable securities	**(180)**	320
Foreign exchange on opening balance of cash	**(3)**	(11)
CASH AND MARKETABLE SECURITIES		
Beginning of year	**1,220**	911
End of year	**$1,037**	$1,220

See accompanying notes.

Notes to the Consolidated Financial Statements

(as at December 31, 1996)

1. Corporate Mandate and Activities

Export Development Corporation ("The Corporation" or "EDC") was established on October 1, 1969 by the Export Development Act ("The Act"), a statute of the Parliament of Canada which was amended on June 10, 1993. The Corporation was created as an agent of Her Majesty in right of Canada for the purposes of supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities. This Act as amended gives EDC the flexibility to consider a wider range of options to meet the needs of Canadian exporters and those investing in foreign markets. The Corporation is accountable for its affairs to Parliament through the Minister for International Trade.

EDC incorporated Exinvest Inc. ("the Subsidiary"), under the Canada Business Corporations Act on August 1, 1995. All funds for the commencement of the Subsidiary were received from the Government of Canada. The Subsidiary shares the same fiscal year-end as the Corporation. The Subsidiary commenced operations in January 1996. The activities of the Subsidiary have been consolidated with those of the Corporation.

The earnings of the Corporation and its Subsidiary are not subject to the requirements of the Income Tax Act.

The Corporation is subject to a limit imposed by the Act on its contingent liability programs. The Act specifies that the Corporation's contingent liabilities in respect of the principal amounts owing under all outstanding arrangements shall at no time exceed $15 billion, an amount equal to ten times the authorized capital of the Corporation. As at December 31, 1996, the position against this limit is $8.9 billion (1995 – $7.9 billion).

As an agent of Her Majesty in right of Canada, debt instruments issued by the Corporation carry the full faith and credit of Canada. The Act allows the Corporation to borrow up to a maximum of fifteen times the aggregate of its current paid-in capital and the retained earnings determined in accordance with the previous year's audited Financial Statements. This limit for borrowing as at December 31, 1996 is $19.6 billion (1995 – $16.9 billion), against which borrowings amounted to $7.7 billion (1995 – $7.7 billion).

2. Summary of Significant Accounting Policies

Cash and Marketable Securities

Investments which are being held to maturity are carried at cost. Gains and losses on these investments are recognized in income only when they are realized and the asset is removed from the balance sheet. Available for sale securities are carried at market value. The gains and losses arising from investments carried at market value are included in investment income.

Net Loans Receivable

Net loans receivable are stated net of non-accrued capitalized interest and the allowance for losses on loans. Non-accrued capitalized interest represents contractual interest capitalized according to rescheduling agreements with sovereign borrowers during which time the loans are classified as impaired. Rescheduled loans are considered performing unless they meet the criteria of impaired loans.

Loan interest is recorded as revenue on an accrual basis until such time as Management determines that a loan should be classified as impaired. Loans are classified as impaired when circumstances indicate that the Corporation no longer has reasonable assurance that the full amount

of principal and interest will be collected on a timely basis in accordance with the terms of the loan agreement. When a loan is classified as impaired, the Corporation reverses previously accrued interest against the allowance for losses on loans. Amounts received for impaired loans are credited to the book value of the loans. No portion of cash received on a loan subsequent to its classification as impaired is recorded as interest earned until such time as any specific allowance has been reversed, and it is deemed that the loan principal is fully collectible in accordance with the contractual terms of the loan. An impaired loan is restored to a performing basis after a pattern of regular payments has been established, normally three years. When the Corporation restores the impaired loan to an accrual basis, previously non-accrued capitalized interest is recognized over the remaining term of the loan.

When sovereign borrowers experience financial difficulties and are unable to meet their debt obligations, sovereign creditors, including the Government of Canada, agree at an international forum, the Paris Club, to formally reschedule the borrower's debt obligations. From time to time and on a case-by-case basis, the most heavily indebted sovereign borrowers are granted debt reduction or debt service relief. The granting of debt reduction or relief is contingent upon the sovereign borrower's ability to implement and maintain economic programs outlined by the International Monetary Fund. To date, the Government of Canada has fully compensated the Corporation for all amounts forgiven at the Paris Club, and these payments for impaired loans or loans previously classified as impaired are credited to the book value of the loans.

Loan fees, mainly exposure fees and administration fees, are normally amortized as fee revenue over the disbursement and repayment term of the related loan.

Allowance for Losses on Loans

The allowance for losses on loans is based on a review of collectibility of all loans to commercial and sovereign borrowers and represents Management's best estimate of probable credit losses on loans receivable. However, actual loan losses are not predictable with certainty and, therefore, may vary materially from Management's estimate. The Corporation has a specific allowance for those loans identified as impaired, a general allowance for those loans not specifically identified as impaired, and a risk concentration allowance.

When a loan is considered impaired, the carrying value of the loan is reduced to its estimated realizable value by discounting expected cash flows at the rates inherent in the loan. The amount of initial impairment and any subsequent changes due to the re-evaluation of estimated future cash flows are recorded through the provision for losses on loans as an adjustment to the specific allowance for impaired loans.

The general allowance is established in respect of loans for which impairment has not been specifically identified. In establishing the general component of the allowance, Management models its portfolio into credit risk pools by investment and below investment grades and takes into account historical default rates over term and loss percentages in relation to its credit profile.

The Corporation through its continued support for Canadian exporters has accumulated significant risk concentrations in low investment grade and below investment grade countries, and with commercial counterparties in investment grade countries beyond that normally considered acceptable for financial institutions. These large risk concentrations expose the Corporation, in Management's judgment, to significant additional risk of credit loss. Commencing in 1996, the Corporation has set aside an allowance as a result of these risk concentrations.

For the year ended December 31, 1996, the new accounting standards for impaired loans issued by the Canadian Institute for Chartered Accountants were adopted by the Corporation. The Corporation's previous provisioning practices were sufficient to fully accommodate the requirements of the implementation of the impaired loans recommendations, and to reflect the cumulative prior period adjustments. Accordingly, no adjustments to previously recorded amounts were required.

Recoverable Insurance Claims

Recoverable insurance claims payments are recorded at estimated recoverable values. Subsequent net gains or losses on recovery are credited or charged to the allowance for claims on insurance and guarantees when estimates are re-evaluated.

Allowance for Claims on Insurance and Guarantees

The allowance for claims on insurance and guarantees is based on an actuarial review of net loss experience and potential net losses and represents Management's best estimate of the net present value of the liability under existing policies and guarantees. However, actual insurance and guarantee losses are not predictable with certainty and, therefore, may vary from Management's estimate.

Insurance Premiums

For short-term insurance policies, premiums are taken into income at the commencement of coverage. Premiums on other export insurance policies are taken into income using methods which generally reflect the exposures over the terms of the policies. Reinsurance premiums and recoveries on losses incurred are recorded as reductions of the respective income and balance sheet accounts. Unearned premiums on insurance transferred to reinsurers and estimates of amounts recoverable from reinsurers on unpaid claims are deducted from deferred premiums and recoverable claims respectively.

Interest Expense

Interest expense includes expenses of derivative financial instruments, and the amortization of debt discount and issue expenses. Gains or losses incurred upon debt repurchases by the Corporation and related swap unwinds are either taken into income at the time of the transaction or deferred and amortized over the life of the new debt issue if a replacement debt issue occurs.

Translation of Foreign Currency

All assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the end of the year. Income and expenses are translated at monthly average exchange rates in effect during the year. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are included with investment income.

Derivative Financial Instruments

The Corporation uses a variety of derivative financial instruments to manage operating exposures such as foreign exchange fluctuations and changes in interest rates. These contracts are carried on a cost basis. Premiums paid or received on these instruments are deferred and amortized over the life of the contract. Net receipts or payments are recognized in income on an accrual basis in the same period and the same financial statement category to which the contract is related.

Reclassification of Comparative Figures

Certain 1995 comparative figures have been reclassified to conform with the presentation adopted in 1996.

3. Cash and Marketable Securities

The Corporation maintains liquidity sufficient to meet general operating requirements, to maintain stability in the short-term borrowing program and to provide flexibility in achieving corporate objectives. In order to meet these varied needs marketable securities are held in either the investment or available for sale portfolios.

Securities in the investment portfolio are held for liquidity and longer term investment. Available for sale securities are intended to be held for a short period of time. Swap contracts are agreements between two counterparties to exchange interest payments over an agreed upon period, each calculated using a different interest rate index and denominated in either the same currency or a different currency.

($ in millions)				1996	1995
	Remaining Term to Maturity				
	Under 1 year	1 to 3 years	Over 3 years	Total	Total
INVESTMENT PORTFOLIO					
Fixed Rate Securities	101	132	25	258	221
Swap Contracts	(65)	(127)	–	(192)	(76)
Net Fixed	36	5	25	66	145
Yield to Maturity %	*5.07*	*5.57*	*7.50*	*6.88*	*7.32*
Floating Rate Securities	536	69	64	669	809
Swap Contracts	65	127	–	192	76
Net Floating	601	196	64	861	885
Yield to Reset %				*4.84*	*5.73*
Total Investment Portfolio	637	201	89	927	1,030
AVAILABLE FOR SALE PORTFOLIO					
Fixed Rate Securities	1	7	9	17	45
Floating Rate Securities	72	6	15	93	145
Total Available for Sale Portfolio	73	13	24	110	190
Spot Yield %				*4.64*	*6.64*
Value at Purchase	*73*	*13*	*29*	*115*	*203*
Total Cash and Marketable Securities	$710	$214	$113	$1,037	$1,220

Credit exposure arises from the possibility that a counterparty may default on their obligations. Credit exposure related to securities held in the investment portfolio and the available for sale portfolio is represented by their carrying value. For swap contracts, it is a fraction of the notional amount of the instruments shown above represented by the replacement cost of those contracts that have a positive fair value (a contract which if settled currently would result in a gain). Credit exposure for swap contracts held in the investment portfolio are included as part of Note 15.

4. Investments

The Corporation has investments in notes issued by two Crown corporations, Ridley Terminals, Inc. and the Vancouver Port Corporation, totaling $308 million (1995 – $234 million). Both corporations are related to EDC as a result of common ownership. EDC intends to hold these investments to maturity. These transactions were performed in the normal course of business, transacted at fair value, and are recorded at cost. Total revenue from these investments amounted to $19 million in 1996 (1995 – $16 million).

($ in millions)	Amount	*Yield**	Term*
Fixed Rate Investments	300	*7.55%*	63 months
Floating Rate Investments	8	*3.77%*	2 months

**Refers to yield and term to maturity for fixed rate investments, and yield and term to reset for floating rate investments.*

Investments also include $99 million (1995 – $5 million) in cash and securities held by EDC's subsidiary Exinvest Inc..

5. Net Loans Receivable

The following table shows the contractual maturity along with related contractual effective yields for gross loans receivable. The yields are computed on a weighted average basis by amount and term. Floating rate yields are expressed as spreads over base rates which consist mainly of LIBOR for U.S. dollars and Prime for Canadian dollars.

($ in millions)					1996					1995
	Fixed $	Yield to Maturity %	Floating $	Spread %	Total $	Fixed $	Yield to Maturity %	Floating $	Spread %	Total $
Performing:										
Overdue	6	8.96	1	1.24	7	6	9.46	1	0.87	7
1996	–	–	–	–	–	523	9.24	801	0.85	1,324
1997	605	8.83	775	1.14	1,380	526	9.12	460	1.33	986
1998	548	9.17	506	1.67	1,054	458	9.33	420	1.32	878
1999	468	9.27	497	1.68	965	401	9.37	392	1.31	793
2000	418	9.21	393	1.77	811	364	9.36	305	1.44	669
2001	545	9.23	381	1.69	926	400	9.37	253	1.10	653
2002–2006	1,238	8.68	938	0.97	2,176	995	8.92	734	0.68	1,729
2007 and beyond	647	8.97	619	0.47	1,266	425	9.64	551	0.40	976
Performing	4,475	8.92	4,110	1.24	8,585	4,098	9.27	3,917	0.96	8,015
Impaired	257	–	1,662	–	1,919	322	–	1,573	–	1,895
Gross Loans Receivable	$4,732	–	$5,772	–	$10,504	$4,420	–	$5,490	–	$9,910
Less: Non-accrued capitalized interest on										
– Impaired Loans					774					665
– Performing Loans[1]					224					262
Loans Receivable					9,506					8,983
Less: allowance for losses on loans (Note 7)					1,458					1,256
Net Loans Receivable					$8,048					$7,727

[1] *Represents the unamortized balance that accrued while the loan was impaired.*

At December 31, 1996, the floating rate performing gross loans receivable are yielding 6.52% (1995 – 6.99%) with an average term to reset of 88 days (1995 – 99 days).

The breakdown of the Corporation's performing gross loans receivable between sovereign and commercial is as follows:

($ in millions)	1996					1995				
	Fixed $	Yield to Maturity %	Floating $	Spread %	Total $	Fixed $	Yield to Maturity %	Floating $	Spread %	Total $
Sovereign	2,785	8.85	2,148	0.93	4,933	2,830	8.90	2,286	0.87	5,116
Commercial	1,690	8.99	1,962	1.63	3,652	1,268	9.72	1,631	1.14	2,899
Total	$4,475	8.92	$4,110	1.24	$8,585	$4,098	9.27	$3,917	0.96	$8,015

6. Impaired Loans Receivable

The Corporation has $1,919 million impaired gross loans receivable (1995 – $1,895 million) of which $1,787 million is sovereign (1995 – $1,792 million) and $132 million is commercial (1995 – $103 million). The following reflects the movement in the impaired loans portfolio during the year.

($ in millions)	1996	1995
Balance at beginning of year	1,895	2,598
Loans classified as impaired	29	47
Loans reinstated to performing	–	(675)
Capitalized interest	78	103
Principal receipts	(55)	(113)
Compensation from the Government of Canada for debt relief	(26)	(19)
Foreign exchange	(2)	(46)
Balance at end of year	$1,919	$1,895

The largest concentrations of gross loans receivable for impaired loans are listed in the following table. Non-accrued interest represents contractually earned interest that has not been capitalized through rescheduling agreements.

($ in millions)	1996			1995		
	Gross Loans Receivable	Non-accrued Capitalized Interest*	Non-accrued Interest	Gross Loans Receivable	Non-accrued Capitalized Interest*	Non-accrued Interest
SOVEREIGN						
Peru	571	340	39	591	332	7
Cameroon	400	150	18	362	100	41
Côte d'Ivoire	252	111	5	254	95	6
Russia	112	31	4	84	25	3
Gabon	74	18	2	78	10	4
Other	378	124	121	423	103	108
Sub-total	1,787	774	189	1,792	665	169
COMMERCIAL						
Financial Institutions	103	–	69	103	–	52
Aircraft Manufacturer	29	–	2	–	–	–
Sub-total	132	–	71	103	–	52
Total Impaired	$1,919	$774	$260	$1,895	$665	$221

** Non-accrued capitalized interest is included in gross loans receivable.*

During 1996, payments for impaired loans were $89 million (1995 – $182 million). For 1996, these amounts were applied to the book value of the impaired loans and did not affect interest earned in accordance with the adoption of the new accounting standards for impaired loans. For 1995, payments received increased interest earned by $116 million.

The largest receipts for impaired loans including contractual principal and interest from sovereign borrowers were as noted:

($ in millions)	1996		1995
Peru	29	Brazil	97
Kenya	12	Gabon	21
Gabon	11	Kenya	11
Cameroon	10	Ecuador	9
Bulgaria	6	Bulgaria	9
Other	21	Other	35
Total	$89	Total	$182

7. Allowance for Losses on Loans

The composition of the allowance for losses on loans is as follows:

($ in millions)			1996			1995
	Sovereign	**Commercial**	**Total**	Sovereign	Commercial	Total
Specific allowance for impaired loans	**534**	**127**	**661**	612	97	709
General allowance	**361**	**272**	**633**	388	159	547
Risk concentration allowance	–	–	**164**	–	–	–
Total	**$895**	**$399**	**$1,458**	$1,000	$256	$1,256

The specific allowance for impaired loans reduces the carrying value of impaired loans to the net present value of expected cash flows. Estimated cash flows are based on historical payments from sovereign borrowers demonstrating to a large extent each borrower's willingness and ability to meet future payments. The historical payments are then modified when necessary to derive the estimated future cash flows which are then discounted using rates inherent in agreements.

The Corporation has significant geographic concentrations in low and below investment grade countries, as determined by external credit agencies. Seven such countries represent $3,796 million or 44% of the Corporation's performing loans receivable and related loan guarantee exposures. In addition, the Corporation has a single counterparty exposure, a ground transportation entity, of $690 million in the United States. These exposures are used to determine a risk concentration allowance of $164 million.

During the year, changes to the allowance for losses on loans were as follows:

($ in millions)	**1996**	1995
Balance at beginning of year	**1,256**	935
Provision for losses on loans	**202**	341
Interest reversal for impaired loans	**(1)**	(3)
Foreign exchange	**1**	(17)
Balance at end of year	**$1,458**	$1,256

8. Loan Commitments

The Corporation has undisbursed commitments of $2,863 million (1995 – $1,854 million). The Corporation expects to fund these undisbursed commitments near the time of their disbursement. The Corporation generally attempts to match debt maturities and currencies with those of its loan assets on a portfolio basis.

Undisbursed commitments with their locked-in effective yields are outlined in the following table. All yields are computed on a weighted average basis and the spread over floating interest rates are represented mainly by LIBOR for U.S. dollars. In addition to the amounts in the following table, the Corporation is committed to disburse $223 million whose fixed rate effective yield will be determined in the future and closer to the time of disbursement.

($ in millions)				1996				1995
	Fixed $	Spot Yield %	Floating $	Spread %	Fixed $	Spot Yield %	Floating $	Spread %
Sovereign	417	8.41	409	2.49	454	8.76	227	2.86
Commercial	75	9.72	1,739	1.14	116	8.72	1,057	1.01
Total	$492	8.61	$2,148	1.40	$570	8.75	$1,284	1.34

9. Contingent Liabilities

The Corporation has insurance policies in force and guarantees outstanding of $7,432 million (1995 – $6,214 million) which mature as follows:

($ in millions)	1996	1995
Short-Term Program	5,081	4,000
Medium-Term Program		
1996	–	430
1997	370	298
1998	340	113
1999	295	275
2000	97	84
2001	395	259
2002–2006	454	407
2007 and beyond	400	348
Total	$7,432	$6,214

The major concentrations by location of ultimate risk are as follows:

($ in millions)			1996				1995
	Short-Term	Medium-Term	Total		Short-Term	Medium-Term	Total
U.S.	1,580	38	1,618	U.S	1,173	65	1,238
Canada	612	312	924	Mexico	377	10	387
Brazil	585	19	604	Brazil	364	3	367
Iran	390	60	450	Japan	353	2	355
Mexico	391	14	405	Canada	147	207	354
Other	1,523	1,908	3,431	Other	1,586	1,927	3,513
Total	$5,081	$2,351	$7,432	Total	$4,000	$2,214	$6,214

Of the $7,432 million (1995 – $6,214 million) insurance policies in force and guarantees, the following policy types were supported:

($ in millions)	1996	1995
Credit Insurance	5,362	4,232
Performance Security	369	427
Surety	295	204
Bulk Agriculture	40	123
Foreign Investment Insurance	928	872
Loan Guarantees	438	356
Total	$7,432	$6,214

Reinsurance of $122 million (1995 – $116 million) has been deducted from the insurance policies in force.

10. Recoverable Insurance Claims and Allowance for Claims

In 1996, the Corporation paid claims on insurance of $60 million (1995 – $28 million), and recovered claims of $11 million (1995 – $8 million).

Of the $60 million in claim payments made during 1996, 94% were related to the short-term program. The largest concentrations of claim payments and recoveries were in the following countries:

($ in millions)		1996			1995
	Claims Paid	Claims Recovered		Claims Paid	Claims Recovered
Cuba	20	3	U.S.	12	3
U.S.	16	3	Mexico	8	1
Canada	5	1	Venezuela	3	1
Brazil	4	–	Cuba	2	2
Spain	4	–	Canada	1	–
Other	11	4	Other	2	1
Total	$60	$11	Total	$28	$8

During the year, changes to the allowance for claims were as follows:

($ in millions)	1996	1995
Balance at beginning of year	181	149
Provision for claims on insurance	68	49
Claims recovery expenses	–	(2)
Re-evaluation of recoverable claims	(43)	(13)
Foreign exchange	(1)	(2)
Balance at end of year	$205	$181

11. Loans Payable

The Corporation issues debt instruments in world capital markets. Short-term payables represent liabilities of the Corporation that are issued with maturities under one year. Long-term debt instruments are issued by the Corporation in Canadian dollars, U.S. dollars and other currencies. The Corporation utilizes currency swaps to convert foreign denominated fixed rate notes primarily to U.S. dollars. Interest rate swaps are principally utilized to convert fixed rate instruments to floating rates primarily related to LIBOR. Derivative contracts and structured notes are used to minimize the cost of capital and are also used for asset/liability management purposes.

Loans payable are comprised as follows:

($ in millions)	1996		1995	
	Loans Payable	Interest Expense	Loans Payable	Interest Expense
Short-term payables	853	63	1,023	60
Long-term payables				
– due within 12 months	724		1,008	
– over one year	6,103	385	5,571	414
Sub-total	7,680	448	7,602	474
Plus: – unamortized discounts and premiums	11		10	
– deferrals	44		56	
Total Loans Payable	$7,735		$7,668	

Discounts and premiums are related to the issue of long-term debt and swaps. Deferrals include gains and losses incurred upon debt repurchases and swap unwinds.

Accrued interest is comprised as follows:

($ in millions)	**1996**	1995
Short-term	**4**	4
Long-term		
– Debt issued	**229**	257
– Swap contracts	**(139)**	(107)
Total Accrued Interest	**$94**	$154

The accrued interest for the above swap contracts is presented on a net basis.

Structured notes outstanding, included in loans payable, are as follows:

($ in millions)	**1996**	1995
Equity Index Linked	**467**	13
Dual Currency	**1,034**	663
Step-up	**189**	224
Other	**143**	68

EDC has entered into a number of structured notes as part of its funding program. The Corporation has executed swap contracts to remove market risk on these borrowings. These contracts ensure that EDC will receive proceeds from the swap to meet the requirements of settling and servicing the debt obligation. The Corporation has synthetically created floating rate debt. In swapping out of the underlying bond issue, the potential market risk has been converted to credit risk. Credit risk is managed by dealing with counterparties evaluated as creditworthy, through management limits to counterparties and other credit mitigation techniques. Credit exposure on derivative financial instruments is further discussed in Note 15.

12. Loans Payable Maturities

Total loans payable and related notional swap amounts mature as follows:

($ in millions)				1996	1995
Year of Maturity	Issues	Swap Contracts	Net	*Yield* (%)*	Net
FIXED RATE ISSUES					
1996	–	–	–	–	273
1997	727	(457)	270	*7.05*	270
1998	1,825	(1,138)	687	*6.64*	688
1999	1,317	(564)	753	*6.98*	751
2000	838	(565)	273	*8.74*	273
2001	297	(297)	–	–	–
2002 to 2006	1,270	(992)	278	*8.35*	252
2007 and beyond	304	(60)	244	*8.31*	268
Sub-total	6,578	(4,073)	2,505	*8.07%*	2,775
FLOATING RATE ISSUES					
1996	–	–	–		1,759
1997	853	454	1,307		491
1998	–	1,159	1,159		970
1999	75	557	632		68
2000	8	512	520		198
2001	68	276	344		235
2002 to 2006	157	996	1,153		235
2007 and beyond	–	60	60		871
Sub-total	1,161	4,014	5,175	*4.93%*	4,827
TOTAL					
1996	–	–	–		2,032
1997	1,580	(3)	1,577		761
1998	1,825	21	1,846		1,658
1999	1,392	(7)	1,385		819
2000	846	(53)	793		471
2001	365	(21)	344		235
2002 to 2006	1,427	4	1,431		487
2007 and beyond	304	–	304		1,139
Total	$7,739	$(59)	$7,680		$7,602

** Refers to yield to maturity for fixed rate issues, and yield to reset for floating rate issues.*

Credit exposure and other details on swap contracts are included as part of Note 15.

13. Share Capital

The authorized share capital is $1.5 billion consisting of 15 million shares with a par value of $100 each. The number of shares issued and fully paid is 9.8 million (1995 – 8.5 million). During 1996, the Corporation issued 1,320 thousand shares (1995 – 380 thousand).

14. Foreign Currency Balances

The Corporation has substantial assets and liabilities in U.S. dollars and in other currencies. In addition, the Corporation has derivative financial instruments denominated in various currencies. The purpose of these derivative financial instruments is to minimize the cost of capital and optimize yields for the Corporation, while sustaining prudent levels of risk.

The following chart shows where the Corporation has created synthetic debt and asset positions through such instruments and the resulting net foreign currency exposure.

($ in millions)							1996		1995	
	Assets			Liabilities						
	Gross	D.F.I.*	Net	Gross	D.F.I.*	Net	Exposure	Rate	Exposure	Rate
U.S. Dollars	7,405	141	7,546	(4,634)	(2,749)	(7,383)	163	1.3696	149	1.3652
Deutsche Marks	385	–	385	(482)	44	(438)	(53)	0.8900	(148)	0.9520
European Currency Units	179	(7)	172	(20)	(137)	(157)	15	1.7219	101	1.7503
British Pounds	128	–	128	(1)	(118)	(119)	9	2.3454	4	2.1202
Italian Lira	–	–	–	(183)	181	(2)	(2)	0.0009	(3)	0.0009
Swiss Francs	4	–	4	(12)	7	(5)	(1)	1.0232	–	1.1840
Australian Dollars	15	(15)	–	(897)	897	–	–	1.0886	–	1.0156
Japanese Yen	19	(17)	2	(383)	381	(2)	–	0.0118	3	0.0132
New Zealand Dollars	–	–	–	(134)	134	–	–	0.9690	–	0.8926

"Derivative Financial Instruments" includes currency swaps and foreign exchange contracts. See note 15.

The Corporation incurred a foreign exchange gain of $11 million in 1996 (1995 – $12 million loss). This amount is included in investment income.

15. Derivative Financial Instruments

The Treasury Division actively manages EDC's exposure to market risk through the use of derivative financial instruments held for non-trading purposes. EDC utilizes a variety of these instruments to manage funding costs, investment returns, and to implement asset/liability management strategies in order to minimize market risks in EDC's portfolios. The credit risk in these instruments is managed in accordance with guidelines established in the Treasury Risk Management department and approved by the Board of Directors.

EDC currently uses, but is not limited to, the following types of instruments:

Interest Rate Swaps – transactions in which two parties exchange interest flows on a specified notional amount on predetermined dates for a specified period of time using agreed upon fixed or floating rates of interest. Notional amounts upon which interest payments/receipts are based are not exchanged.

Currency Swaps – transactions in which two parties exchange currencies at inception and at maturity as well as interest flows on the exchanged amounts on predetermined dates for a specified period of time using agreed upon fixed or floating rates of interest.

Equity Index Swaps – transactions used to eliminate exposure to movements in an equity index on a debt issue undertaken by the Corporation. Two counterparties agree to exchange payments: one of which represents the percentage change in an agreed upon equity index and the other a short-term interest rate index. The principal may either resemble an interest rate swap in that no exchange of notional amounts occur or a currency swap in which currencies will be exchanged at both inception and maturity.

Foreign Exchange Contracts – commitments to purchase or sell foreign currencies for delivery at a specified date in the future at a fixed rate.

Forward Rate Agreements – contracts fixing an interest rate to be paid on a notional deposit of specified maturity commencing at a specified future date.

Futures – future commitments to purchase or deliver money market instruments on a specified future date at a specified price. The instruments are obligations between the Corporation and the organized exchange upon which the contract is traded.

Options – contracts which grant the right, but not the obligation, to purchase a financial asset at a specified price during a specified period.

In any transaction there is always an inherent risk of loss. These risks are classified as (1) credit risks, wherein the counterparty fails to perform an obligation as agreed upon causing the other party to incur a financial loss, or (2) market risks where an exposure exists as a result of changes in foreign exchange rates and/or interest rates.

The Corporation manages its exposure to credit risk by dealing only with financial institutions having original credit ratings of A for terms of three years and under, and AA for terms greater than three years. Internal policies and procedures establish credit approvals, controls and monitoring. The Corporation does not anticipate any significant non-performance by the counterparties due to the control procedures in place.

The breakdown of counterparty exposure for derivative financial instruments is as follows. Credit exposure is limited to contracts with a positive fair value.

($ in millions)	**1996**	1995
AAA	**37**	51
AA+	**19**	117
AA	**54**	1
AA-	**58**	61
A+	**2**	116
A	**134**	81
Total	**$304**	$427

Credit risks inherent in the derivative financial instruments, marketable securities and investments have been estimated not to exceed $20 million. Accordingly, an allowance for credit risk of $20 million (1995 – $20 million) has been established. This amount is included in accounts payable.

Interest rate, currency swap, and foreign exchange contracts entered into by the Corporation with contractual or notional principal amounts outstanding as at December 31, 1996 are listed below.

($ in millions)					**1996**	1995
	Remaining Term to Maturity					
	Under 1 year	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**	Total
Currency Swaps	**458**	**1,297**	**655**	**274**	**2,684**	2,215
Interest Rate Swaps	**61**	**1,305**	**210**	**938**	**2,514**	2,706
Foreign Exchange Contracts	**1,007**	–	–	–	**1,007**	1,331
Total All Swaps	**$1,526**	**$2,602**	**$865**	**$1,212**	**$6,205**	$6,252
FAIR VALUE OF SWAPS						
Positive	**21**	**83**	**148**	**52**	**304**	427
Negative	**15**	**51**	**24**	**15**	**105**	65

Swaps that have a positive fair value are those contracts which, if settled immediately, would result in a gain. Conversely, immediate settlement of a swap with a negative fair value would result in a loss.

16. Fair Value of Financial Instruments

The chart below outlines the book values and the fair values of the Corporation's financial instruments. As with any estimate, uncertainty is inherent due to the unpredictability of future events. In the case of estimating the fair value of the Corporation's financial instruments, this uncertainty is multiplied due to the large number of assumptions used, and in the wide range of acceptable valuation techniques. Estimates of fair values are based on market conditions at a certain point in time, and may not be reflective of future market conditions. Thus, the estimate of the value of financial instruments outlined below do not necessarily reflect the actual values that may occur should the instruments be exchanged in the market. It is not the Corporation's intent to settle these items in the market before they mature. The aggregate of the estimates of the fair value of the financial instruments presented below do not reflect an estimate of the underlying value of the Corporation.

($ in millions)		1996		1995
BALANCE SHEET ITEMS	**Book Value**	**Fair Value**	Book Value	Fair Value
Cash and Marketable Securities:				
Available for Sale Portfolio	**110**	**110**	190	190
Investment Portfolio	**942**	**935**	1,049	1,047
Investments	**407**	**423**	239	263
Loans Receivable:				
Performing Fixed Rate	**4,174**	**4,483**	3,942	4,261
Performing Floating Rate	**3,530**	**3,894**	3,423	3,706
Impaired	**484**	**484**	521	521
Accounts Payable	**80**	**80**	50	50
Loans Payable:				
Fixed Rate	**2,505**	**2,593**	2,775	2,954
Floating Rate	**5,269**	**5,269**	4,981	4,981

($ in millions)		1996		1995
DERIVATIVE FINANCIAL INSTRUMENTS	**Notional**	**Fair Value**	Notional	Fair Value
Currency Swap Contracts	**2,684**	**119**	2,215	249
Interest Rate Swap Contracts	**2,514**	**89**	2,706	115
Foreign Exchange Contracts	**1,007**	**(9)**	1,331	(2)

The fair value of securities with an original maturity of more than one year is based on quoted market prices. For securities with an original maturity of less than one year, the face value has been used as an estimate of fair value.

In order to estimate the fair value of its performing loans receivable, the Corporation separates its loans into risk pools and calculates the net present value of cash flows of principal and interest. The discount rate for the fixed rate portfolio is derived by taking the base rate, U.S. Treasuries for U.S. dollar

fixed rate cash flows for example, to which a spread for credit risk is added for each credit pool. The discount rate for the floating rate portfolio is derived similarly by adding to the base rate a spread for credit risk depending on the grade of credit.

The estimate of the fair value of fixed rate loans payable and investments uses a discounted cash flow approach with current market rates. Variable rate loans payable and investments reprice frequently and the carrying value approximates the fair value.

The nature of accounts payable is that they have a relatively short duration. Thus the fair value of accounts payable is estimated to be equal to their book value.

The estimate of the fair value of the foreign exchange contracts is carrying value. Currency swap contracts and interest rate swap contracts use a discounted cash flow approach.

17. Related Party Transactions

The Corporation enters into transactions with other Government departments, agencies, and Crown corporations in the normal course of business.

It is Management's opinion that loans to sovereign governments are considered collectible unless they are formally repudiated by the debtors. However, indefinite delays in repayment of principal and interest may have to be accepted.

During 1996, the Corporation received from the Government of Canada $101 million (1995 – $374 million) for principal pursuant to debt relief arrangements. Interest earned is unaffected in 1996 in accordance with the adoption of the new accounting standards for impaired loans. For 1995, amounts received for debt relief increased interest earned by $11 million.

18. Canada Account Transactions

Pursuant to the Act, the Minister for International Trade, with the concurrence of the Minister of Finance, may authorize the Corporation to undertake certain financial and contingent liability transactions. These transactions and legislative authorities which underlie them, have come to be known collectively as the "Canada Account". The Board of Directors is only responsible for the management and the administration of the program. Accounts for the program are maintained separately from the Corporation's accounts, and are consolidated annually as at March 31 with the financial statements of the Government of Canada which are reported upon separately by the Auditor General of Canada. The assets under the Canada Account, mainly loans receivable and accrued interest and fees recorded in accordance with the accounting policies and practices approved by the Government of Canada, amounted to $2,899 million at December 31, 1996 (1995 – $2,812 million).

The Act allows the Canada Account to have outstanding loans and commitments to foreign borrowers, and liabilities under contracts of insurance and other agreements up to a maximum of $13 billion. The position against this limit, determined in accordance with the requirements of the Act, is $4,165 million (1995 – $4,296 million). Reinsurance of $62 million has been deducted from the insurance policies in force.

The Corporation retained $17 million (1995 – $16 million) from Canada Account receipts and recoveries to meet expenses and overhead related to Canada Account transactions.

Five Year Review

(as at December 31)

BALANCE SHEETS

($ in millions)	**1996**	1995	1994	1993	1992
Gross loans receivable	**10,504**	9,910	9,901	8,421	8,191
Less: non-accrued capitalized interest	**998**	927	929	843	828
Less: allowance for losses on loans	**1,458**	1,256	935	751	609
Net loans receivable	**8,048**	7,727	8,037	6,827	6,754
Cash and investments	**1,444**	1,459	1,097	2,085	1,159
Accrued interest and other assets*	**214**	214	203	161	150
Total assets	**$9,706**	$9,400	$9,337	$9,073	$8,063
Loans payable*	**7,735**	7,668	7,734	7,672	6,772
Accrued interest and other liabilities*	**349**	378	363	395	314
Allowance for claims	**205**	181	149	111	98
Total liabilities	**8,289**	8,227	8,246	8,178	7,184
Share capital	**983**	851	813	788	788
Retained earnings	**434**	322	278	107	91
Shareholder's equity	**1,417**	1,173	1,091	895	879
Total liabilities and shareholder's equity	**$9,706**	$9,400	$9,337	$9,073	$8,063

INCOME STATEMENTS

Loan interest and fees earned*	**691**	816	755	556	559
Insurance premiums and fees earned	**89**	74	51	51	39
Investment income	**110**	75	38	92	62
Total income	**890**	965	844	699	660
Interest expense	**448**	474	437	427	399
Provisions for losses on loans and claims	**270**	390	180	181	172
Administrative expenses	**60**	57	56	50	45
Total expenses	**778**	921	673	658	616
Net income	**$112**	$44	$171	$41	$44

** Figures prior to 1996 are restated to conform with current presentation.*

CORPORATE ACCOUNT

Financial Arrangements Facilitated

($ in millions)	**1996**	1995	1994	1993	1992
Export Financing*					
Direct Financing	**3,678**	2,142	1,879	3,191	2,066
Export Insurance					
Short-term insurance*	**15,756**	13,044	8,164	7,009	5,340
Medium-term insurance*	**2,464**	1,954	1,300	1,437	1,147
Guarantees*	**132**	97	288	129	103
Sub-total	**18,352**	15,095	9,752	8,575	6,590
Total	**$22,030**	$17,237	$11,631	$11,766	$8,656

FINANCIAL AND OTHER DATA

Export Financing					
Number of transactions financed	**172**	140	137	164	154
Number of loans receivable	**801**	759	838	878	914
Value of total obligations on loans receivable	**10,517**	9,920	9,935	8,466	8,243
Number of undisbursed loans	**216**	201	197	213	264
Value of undisbursed loans	**2,863**	1,854	2,357	3,238	2,281
Value of disbursements to exporters	**2,463**	2,172	2,444	1,365	1,707
Value of liability on loan guarantees	**347**	257	202	145	20
Undisbursed amounts on loan guarantees	**85**	88	41	82	1
Number of current lines of credit and protocols	**50**	46	44	34	38
Amounts available for allocation	**1,570**	1,719	1,799	2,697	3,366
Loan amounts rescheduled	**464**	442	1,397	83	982
Loan recoveries	**–**	–	5	–	–
Loan amounts written off	**–**	–	–	1	1
Export Insurance					
Number of policies issued	**2,591**	2,040	1,732	1,819	1,570
Number of insurance policies and guarantees in force	**4,404**	3,446	3,186	3,000	2,432
Value of liability on insurance and guarantees	**8,508**	7,546	7,221	6,607	5,677
Value of claims paid	**60**	28	47	48	18
Value of claims recovered/rescheduled	**11**	8	51	22	3
Value of claims outstanding at end of year	**100**	57	48	61	40
Value of claims under consideration at end of year	**14**	17	10	2	3
Average Employee Strength During Year	**602**	557	549	541	512

**Figures prior to 1996 are restated to conform with current presentation.*

CANADA ACCOUNT

Financial Arrangements Facilitated

($ in millions)	1996	1995	1994	1993	1992
Export Financing*					
Direct Financing	**131**	430	317	901	551
Export Insurance					
Short-term insurance*	**6**	4	–	58	80
Medium-term insurance*	**299**	281	168	341	200
Guarantees*	**–**	–	2	30	2
Sub-total	**305**	285	170	429	282
Total	**$436**	$715	$487	$1,330	$833

Financial and Other Data

	1996	1995	1994	1993	1992
Export Financing					
Number of transactions financed	**29**	26	7	33	16
Number of loans receivable	**291**	258	247	239	209
Value of total obligations on loans receivable	**2,753**	2,677	2,517	2,213	1,856
Number of undisbursed loans	**96**	88	81	94	108
Value of undisbursed loans	**373**	598	729	642	566
Value of disbursements to exporters	**171**	434	258	404	389
Number of current lines of credit and protocols	**1**	3	3	2	3
Amounts available for allocation	**20**	93	120	110	286
Loan amounts rescheduled	**9**	17	305	62	86
Export Insurance					
Number of policies issued	**7**	10	15	25	32
Number of insurance policies and guarantees in force	**22**	24	33	41	48
Value of liability on insurance and guarantees	**456**	508	482	721	380
Value of claims paid	**–**	23	20	1	–
Value of claims recovered	**4**	6	–	–	–
Value of claims outstanding at end of year	**34**	39	22	2	–

** Figures prior to 1996 are restated to conform with current presentation.*

Corporate Management

Leona Assié
Administrative Services

David Bailey
Foreign Investment Insurance

John Balint
Project Finance and Equity

Jean Beaulieu
Consumer Goods Team

Jim Brockbank
Risk Management Office

Jean Cardyn
Contract Insurance and Bonding

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Short-Term Financial Services

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Corporate Communications

Peter Cowan
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Linda Graupner
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Peter Hepburn
Project Finance and Equity

David Herscovitch
Industrial Advisory Services

Catherine Hess
Forestry Team

Glen Hodgson
Government Relations and Corporate Policy

John Hutchison
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Corporate Data Unit

Paul Labbé*
President and Chief Executive Officer

Louise Landry
Corporate Planning

Marc Leduc
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Clare Marshall
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Mike McLean
International Markets

Keith Milloy
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Jim Olts
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Léo Savoie
Financial Planning

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Medium- and Long-Term Financial Services

Ed Simac
Information Systems

Diana Smallridge-MacLeod
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Henri Souquières
Transportation Team

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(as at December 31, 1996)

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Assistant Deputy Minister
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Department of Finance
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Export Development Corporation
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Chairman of the Board and
Chief Executive Officer
The Electrolyser Corporation Ltd.
Toronto, Ontario

Mr. Robert G. Wright ❖
Deputy Minister for International Trade
Ottawa, Ontario

★ *Chairman of the Board of Directors*
● *Vice Chairman of the Board of Directors*
■ *Chairman of the Audit Committee*
▲ *Members of the Audit Committee*
◆ *Chairman of the Executive Committee*
❖ *Members of the Executive Committee*
✱ *Chairman of the Human Resources Committee*
✣ *Members of the Human Resources Committee*
▼ *Chairman of the Business Development Committee*
◗ *Members of the Business Development Committee*
✪ *Chairman of the Corporate Governance Committee*
► *Members of the Corporate Governance Committee*

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EDC Support for Small- and Medium-Sized Enterprises

- **EDC divides Small- and Medium-sized Enterprises** (SMEs) into two categories: small businesses with up to $5 million in annual sales, and medium-sized businesses posting sales between $5 and $25 million annually.

- **In 1996, EDC supported $3.9 billion worth of exports,** by 2,520 SMEs, to more than 120 countries. During the past five years, EDC has provided $12.5 billion in support to SMEs.

- **The Emerging Exporters Team** delivers EDC's services to exporters with annual export sales up to $1 million. In 1996, the team received an average of 108 calls a day on its toll-free line, served 1,679 export credits insurance customers, and issued 7,000 buyer credit approvals – more than 65 percent of which were delivered within 24 hours.

- **In 1996, EDC launched the SME Financial Services Team** dedicated to finding export credit solutions for SMEs who sell on longer credit terms.

- **Launched in early 1996, EDC's Master Accounts Receivable Guarantee** (MARG) program extends operating line financing to small exporters. In its first year, MARG provided 70 small exporters with more than $11 million in working capital financing. The program is delivered through major Canadian banks, as well as specialized financial institutions like the Alberta Treasury Branch and the Caisse centrale Desjardins.

- **In 1996, EDC partnered with CIBC** to create the Grow Export program. This $20 million program provides pre-shipment working capital financing to small- and medium-sized exporters in the knowledge-based business sector. The Grow Export program also demonstrates how a federal Crown corporation can work with a Canadian financial institution to benefit a growing sector of the export economy.

- **Another ongoing support vehicle for small- and medium-sized exporters** is EDC's partnership with Northstar Trade Finance, a Canadian company that provides streamlined medium- and long-term financing to SMEs.

- **To better serve SMEs in the forestry sector,** EDC issued a group policy for export credit insurance to the Wood Products Group, an industry association representing the manufactured wood products sector in Atlantic Canada and eastern Quebec.

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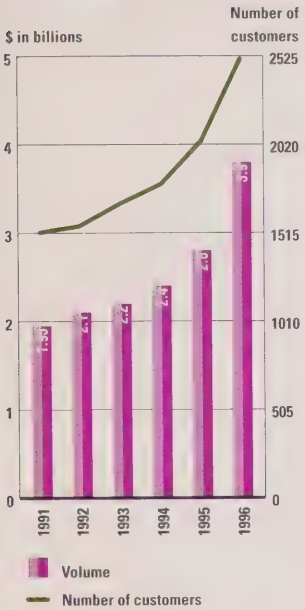
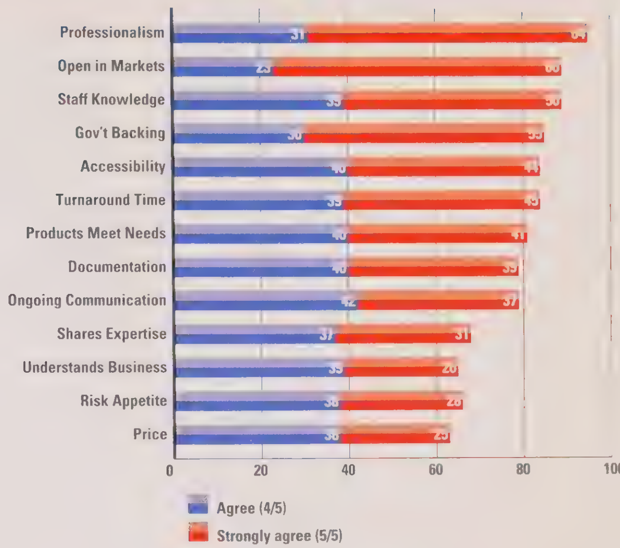
and recyclable coated Canadian stocks

Ce document est aussi disponible en français.

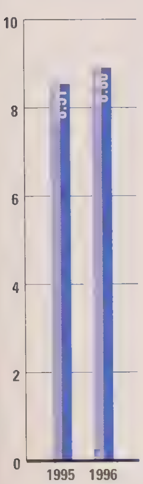
Total Support for SMEs



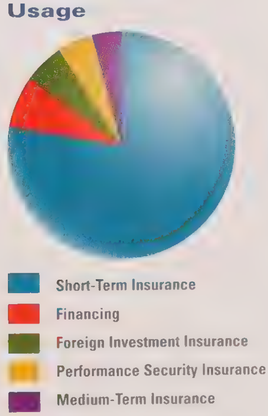
SME Service Attribute Ratings



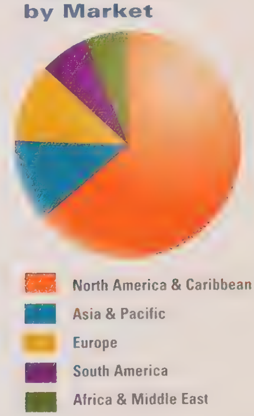
Customer Satisfaction Index for SME Customers



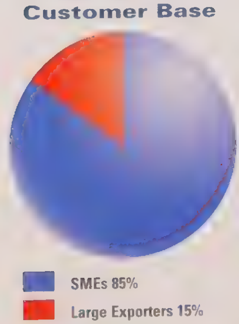
SME Product Usage



SME Volume by Market



SMEs as a Percentage of EDC's Customer Base



SMEs as a Percentage of EDC's Total Business Volume